FINANCIAL TIMES

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Why VW and Opel looked east

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Managing the soft stuff is hard

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World Business Newspaper http://www.FT.com THURSDAY FEBRUARY 13 1997

Russian issues libel writ against US magazine

Boris Berezovsky, the controversial Russian businessman and deputy head of the security council, yesterday launched a bid to clear his name in the west. Employing George Carman QC, Britain's most feared libel advocate, and Peter Carter-Ruck and Partners, the prominent UK libel law firm, Mr Berezovsky issued writs *for libel in London against Forbes* magazine. He alleges Forbes defamed him by claiming he had links with the Russian mafia and had been connected with the murder of a Russian TV presenter. Though Forbes is an American magazine, the action is heing pursued in Britain because US libel law makes it almost impossible for a public figure to bring a successful action. Page 12

Kremlin aims rhetoric at Nato chief:

Moscow stepped up its anti-Nato rhetoric, accusing the western alliance of trying to subvert Russian security interests in its own backyard. Nato secretary-general Javier Solana, left, target of the Kremlin's verbal attack, said Russia had "misconceptions and stereotypes" about the alliance. He assured *Moscow it would not be left* out of a new European security system. Mr Solana is visiting to Moldova, Armenia, Azerbaijan , and Georgia, where he is pictured with President Eduard Shevardnadze, a former Soviet foreign minister. Page 3

French deficit over target: France revealed that last year's budget deficit was about 2.6 per cent over target but stressed its determination to qualify for entry to Europe's proposed single currency. Page 12; Inward investment, Page 2

Swiss bend to pressure: The Swiss government gave in to mounting pressure, announcing it would within weeks set up a compensation fund for destitute Holocaust victims though not whether it would contribute money. The decision was spurred hy a $71m contribution from the country's three biggest banks.

Listing for metals unit: Sweden's Trelleborg mining and rubber group is to list its Boliden mining and metals unit in Toronto later this year. The decision belped lift Trelleborg shares SKr2.50 to SKr119.50. Page 13

Fighter decision: Chancellor Helmut Kohl's cabinet will decide before Easter whether to make a firm order for the Eurofighter 2000 combat aircraft. Bonn's partners in the project – Britain, Italy and Spain – want a firm German order so production of the fighter can begin.

Soldier killed in N Ireland: A British sobder was shot dead and a civilian injured in the Northern Ireland village of Bessbrook, home of a big British army base. It was the first British *army casualty in the province since Irish* Republican Army terrorists fighting British rule bombed Britain's Northern Ireland army headquarters in October, killing one man.

Pledge to Ecuador: *Fabián Alarcón* Ecuador's third president in five days took office promising to restore stability to the country after a week of strikes, marches and political turmoil.Page 4; Editorial Comment, Page 11: European stocks, Page 32

Japan Paper Industry and Jujo Paper Board will merge in October to create Japan's second largest paper board manufacturer with a combined 12 per cent share of the domestic paperboard market. Page 13

Rushdie bounty raised: Iran's 15th Khordad Foundation charity has raised the reward for the killing of British author Salman Rushdie to $2.5m. It first offered $2m in 1989 after Iran's late leader Ayatollah Khomeini issued a religious edict imposing the death sentence on Rushdie for alleged *blasphemy against Islam* in his novel *The Satanic Verses.*

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STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6,920.84	(+62.73)
NASDAQ Composite	1,347.87	(+16.16)
Europe and Far East		
CAC40	2,599.33	(+17.24)
DAX	3,216.14	(+28.56)
FTSE 100	4,304.3	(0.0)
Nikkei	18,409.96	(+228.79)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.124%
Long Bond	97 7/16
Yield	6.694

OTHER RATES

UK: 3-mo Interbank	6 7/16%	(same)
UK: 10 yr Gilt	102 21/32	(102 13/32)
France: 10 yr OAT	108.16	(107.93)
Germany: 10 yr Bund	103.29	(103.10)
Japan: 10 yr JGB	104.3144	(104.353)

NORTH SEA OIL (Argus)

Brent Dated	$21.235	(21.25)

GOLD

New York: Comex		
(Feb)	$344.9	(341.3)
London:		
close	$340.75	(338.65)

DOLLAR

New York: lunchtime		
£	1.63285	
DM	1.68345	
FFr	5.684	
SFr	1.449	
Y	123.925	
London:		
£	1.6335	(1.6424)
DM	1.6832	(1.6721)
FFr	5.687	(5.6425)
SFr	1.4458	(1.4337)
Y	123.845	(123.07)
Tokyo close:	Y 124.175	

STERLING

DM	2.7485	(2.7462)

ITT may sell assets of $2bn

Group plans defence against Hilton bid

By Richard Tomkins in New York

ITT, the hotel and casino *company, yesterday* delivered a heavy hint that it would consider selling New York's Madison Square Garden entertainment complex and other non-core assets as part of its defence against Hilton Hotels' $6.5bn takeover bid.

It said it was "reviewing various options to increase the value of the company, including monetising or otherwise realising the value of ITT's non-core assets." Wall Street analysts believe asset sales could fetch up to $2bn.

As expected, ITT rejected Hilton Hotels' hid in its first official response to the hostile approach, describing it as "inadequate and not in the *best interests of shareholders*".

Hilton Hotels said it was "disappointed" by ITT's rejection, but that it was still committed to a takeover.

That raises the possibility that Hilton Hotels might sweeten its bid of an *initial* $55 a share in cash for half ITT's stock, and $55 a share in Hilton Hotels stock for the other half on completion.

Ms Maria Vallejo, an analyst at Deutsche Morgan Grenfell, said: "We definitely think Hilton Hotels is going to have to raise its hid. We think the value on ITT should be close to $70 a share, based on end-of-1997 projections."

When Hilton Hotels made its offer *last* month, it indicated it was ready to consider a higher offer, but only if it could meet ITT's management and look at the books.

ITT's non-core assets comprise a 50 per cent stake in *Madison Square Garden;* the New York Knicks basketball team and the New York Rangers ice hockey team; a 50 per cent stake in New York's channel 31 cable television station; ITT World Directories, a publisher of Yellow Page telephone directories outside the US; and ITT Educational Services, a chain of 58 degree-granting technical colleges across the US.

The company also has a 5 per cent stake in Alcatel Alsthom, the French telecommunications, transport and *power* engineering group – a legacy of when ITT was a telecommunications company. The stake is valued at about $600m.

ITT said it intended to "continue building the world's premier lodging and gaming company by focusing on the Sheraton and Caesars brands". Mr Rand Araskog, chairman and chief executive, said: "We plan to deploy our financial resources only to those assets that produce *superior current* and future earnings growth."

Mr Araskog said a combination of its Sheraton chain and tha Hilton Hotels chain would create "material conflicts of interest" hecause the combined business would own and manage multiple hotels under each brand in dozens of cities. "These conflicts would be even *more serious* now that Hilton has antered into a global alliance with Ladbroke."

ITT also criticised Hilton Hotels' plan to licence the use of the Sheraton name to HFS, the US franchising company. It *said* this would devalue *the* Sheraton brand because HFS's franchising of economy hotels.

Analysts believe the company has left the door open to other defence *strategies* such as seeking a white knight, tying up the *bid* in *antitrust* litigation, or launching a counter-bid for Hilton Hotels.

Sheraton-Koor link, Page 16

Minister quits over S Korean loan scandal

By John Burton in Seoul

South Korea's home affairs minister resigned yesterday *over the Hanbo Steel loan* scandal, dealing a further hlow to President Kim Young-sam's beleaguered administration.

It is the first time the scandal, which has led to the arrests of several leading bankers and members of parliament, has reached into the government itself.

Tha resignation of Mr Kim Woo-suk came as the prime minister suggested he and the rest of the cabinet might follow suit in public atonement over allegations that senior government officials pressed banks to lend nearly $6bn to Hanbo, which went bankrupt last month.

Public attention was distracted from the scandal yesterday when a senior advisor to North Korean leader Kim Jong-il sought asylum in South Korea. Mr Hwang Jang-yop is the highest ranking official yet to do so and government officials tried to make the most of *the propaganda* coup by claiming his defection meant North Korea was close to collapse.

In an attempt to restore public confidence in the Sonth Korean government, aides *to* President Kim have indicated an extensive cabinet reshuffle.

The home minister was questioned by prosecntors ahont allegations that he accepted payments from Hanbo when construction and transport minister and head of *the state's land development* agency. The two bodies were crucial in approving the huilding of a large steel mill by Hanbo, which collapsed under heavy debts from the project.

Meanwhile, the chairman of the parliamentary finance and economy committee became *the third senior ruling party* MP to be implicated in the scandal. Two *opposition* MPs are also being investigated for allegedly receiving bribes to silence their criticism of the huge bank loans to Hanbo.

In a sign of weakening support for the government, South Korea's *religious* leaders said responsibility for political discontent from the Hanbo scandal "lies with the government and ruling party". They hinted Mr Kim should step down as head of the New Korea party to assume an official caretaker role as he nears the end of his *single presidential term.*

Opposition parties have accused prosecntors of conducting a "whitewash" to hide the alleged "mastermind" role of the president's son, Mr Kim Hyun-chul, in the scandal.

"President Kim should

Continued on Page 12
North Korean defector, Page 6
Lex, Page 12

Defector Hwang Jang-yop (above) was among the 25 most important officials in Pyongyang, and known as one *of North Korea's* top ideologues. No reason was given for his defection. Reuter

Kohl calls for pay freeze to assist jobless

By Ralph Atkins in Bonn

Chancellor Helmut Kohl called on Germans yesterday to *accept real* pay *freezes*, or modest increases, for the oext few years as part of his battle to cut high unemployment.

His appeal came as important allies in the ruling Bonn coalition gave public support to Mr Kohl – who has been *chancellor for more than 14* years – running for the post in next year's federal elections.

The backing from Mr Theo Waigel, finance minister and leader of the Bavarian Christian Social Union, and Mr Wolfgang Gerhardt, chairman *of the Free Democratic party*, appeared designed to qnell debate within the coalition ahont possible successors, prompted in part by nervousness over Germany's increasing economic difficulties.

In an interview with the mass-circulation Bild newspaper, *Mr Kohl said* it was "absolntely reasonahle" for Germans with jobs to accept for "a few years" small or zero rises in real pay "to improve the employment prospects of those who are jobless".

However, his appeal was rejected hy union leaders who pointed out that below-inflation pay increases were already widespread.

Mr Kohl said halving unemployment by 2000 remained his goal. But he acknowledged the target was "ambitious and will be difficult to achieve".

He rejected suggestions that tackling unemployment, which reached an unadjusted total of *4.66m* last month, was incompatible with hudget cuts needed *to meet the Maastricht* criteria on economic and monetary union.

Separately, Mr Waigel used a speech in Passau, Bavaria, to outline steps under which radical tax cuts planned by Bonn from 1999 as part of Germany's economic restructur*ing could be introduced* a year earlier, provided hacking

Continued on Page 12

Return of fur to catwalk sends auction price higher

Russia and China lead demand despite animal rights protests

By Bernard Simon in Toronto

Wild fur prices have risen sharply at auctions in North America, driven by booming demand *from* Russian and Chinese designers in the wake of this year's European fashion shows.

Fashion designers caused a stir at the *Paris* and Milan collections last month with their *use of real fur. One menswear* show in Milan included mink printed to look like leopard.

At auctions in Seattle this week, prices for beavers, foxes, raccoons and other fur species were between 15 per cent and 20 per cent *higher* than *last* December.

Demand for mink, which makes up about half the fur market, has levelled off after last year's surge. The sales are organised by the Fur Harvesters Auction, a trappers' co-operative based in North Bay, Ontario that specialises in wild species such as beaver, otter and raccoon, and the Seattle Fur Exchange, which represents mink ranchers.

Mr Herman Jansen, president of Toronto-based North American Fur Producers Marketing, estimated that fur prices had roughly doubled in the past five years. A high-quality mink coat now sells in North America *for* between US$10,000 and US$12,000.

In spite of continuing protests by animal rights groups, *especially in Europe, Mr* Jansen said sales increases in the US "are telling us that we're back in fashion, especially in the better end of the product".

Animal rights protests in North America have been countered by increasingly vocal trappers' groups seeking to persuade consumers that fur is a "renewable" resource and that *their livelihood* is threatened by the protesters.

Mr Chris Spyropoulos, president of Birger Christensen, a North American fur retail chain with 55 outlets, said 1996 *sales grew in the "high double* digits".

Mr Jansen said the main impetus *for* the rebound cama from Russia and China. He estimated that 70 per cent of the 2m raccoon pelts harvested in *North America each* year made their way into garments and hats for Russians. A thriving fur-manufacturing and brokerage industry geared to the Russian market has taken hold in Greece.

China has become a *sizeable* importer of fox and raccoon pelts, *used* mainly for trims and linings.

Mr Bernie Grogan, co-publisher of Fur World, a New York trade journal, said that many Chinese "can afford a cloth coat with a bit of fur on the collar or the hood".

Fur's image in Europe continues to be tarnished hy a protracted trade dispute *between the European Union* and fur-producing countries over *the use* of leghold traps.

This announcement appears as a matter of record only

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Supplies shortage halts production at Renault ■ Opel, Citroën and Nissan affected

Truckers' strike hits Spanish car plants

By David White in Madrid

Production at the Renault car group's two main Spanish plants stopped yesterday as factories across northern Spain felt the effects of a week-old strike by truckers.

Other multinational companies including the French Michelin tyre group were forced to scale back production because of the shortage of supplies arriving by road.

Activity in fishing ports was paralysed, and supplies of basic foods began running out in some areas such as the coastal Cantabria region, where truck drivers said yesterday they would step up their protest. Companies in Cantabria yesterday began laying off workers because of the blockages.

The strike, in pursuit of better working conditions and cheaper diesel, is backed by several truckers' organisations including one of the main national associations, Fedetrans.

The drivers, whose claims include the right to retire at 60 instead of 65, aim to emulate the success of their French counterparts in a 12-day stoppage which closed highways in November.

Portuguese vehicles crossing into northern Spain were reported to have been stoned, and the Portuguese road haulage federation Antram warned that a number of transport businesses could be at risk if the protests went on much longer.

Five people were arrested in Pamplona after a British truck had its windows smashed. Paramilitary Civil Guard police escorted convoys of trucks carrying perishable goods, and other transporters were seeking protection in order to carry on their journeys.

Car producers depending on a regular flow of supplies were among the worst affected. Renault's plants at Valladolid and Palencia ran out of components, and problems mounted at Opel's plant at Zaragoza, the largest in Spain, and Citroën's facility at Vigo in the northwest.

Michelin's tyre plants at Valladolid and Aranda de Duero were also hit, and production was suspended at a Nissan plant in Avila. The motor manufacturers' association Anfac voiced "great concern" about the damage to car production and to components exports.

Charles Batchelor adds: The UK's Freight Transport Association said yesterday importers of foodstuffs such as citrus fruit and lettuces may encounter shortages because of road blockages – about 2,000 British lorries travel to Spain each week.

It said drivers were being delayed at temporary blockades and there were reports of stone throwing and tyre slashing.

Bulgaria appoints Sofianski caretaker premier

By Theodor Troev in Sofia and Anthony Robinson in London

President Petar Stoyanov of Bulgaria yesterday chose Mr Stefan Sofianski, the popular mayor of Sofia, to head a caretaker government which will run the country from the dissolution of parliament on February 19 until early general elections on April 19.

Mr Sofianski is seen as one of the most capable members of the opposition Union of Democratic Forces (UDF). His selection was made possible by the decision of the Socialist party (BSP) to give up its own mandate to form a new government earlier this month, after weeks of street protests against economic collapse.

The formation of a caretaker government led by leaders of the opposition UDF marks a new and more positive stage in a political crisis which began with a Socialist party internal revolt against Mr Zhan Videnov, the former party leader in early December. This became a wider political crisis following Mr Videnov's resignation as party boss and prime minister just before Christmas.

Parliament, in which the Socialist party has a majority of seats, is today expected to give Mr Sofianski, the new prime minister, powers to continue talks with the International Monetary Fund.

These are intended to ensure that an IMF-backed currency board, which rigidly links the domestic money supply to the level of hard currency reserves and prevents deficit financing, is ready to be set up shortly after the elections – and irrespective of which party wins.

All-party support for preparing the legal basis for the currency board and revising the 1997 budget draft and other essential legislation marks belated recognition of the depth of Bulgaria's financial and economic crisis.

An IMF mission is expected to visit Sofia as early as next week to resume talks on the currency board with Mr Sofianski and his economic team. This includes Mr Alexander Bozhkov, the UDF vice-chairman and former head of the privatisation agency and Ms Daniela Bobeva, former head of the foreign investment agency.

World Bank and European Union officials are also expected in Sofia shortly to discuss suspended World Bank loan programmes and financial support to mitigate the high social costs of the crisis.

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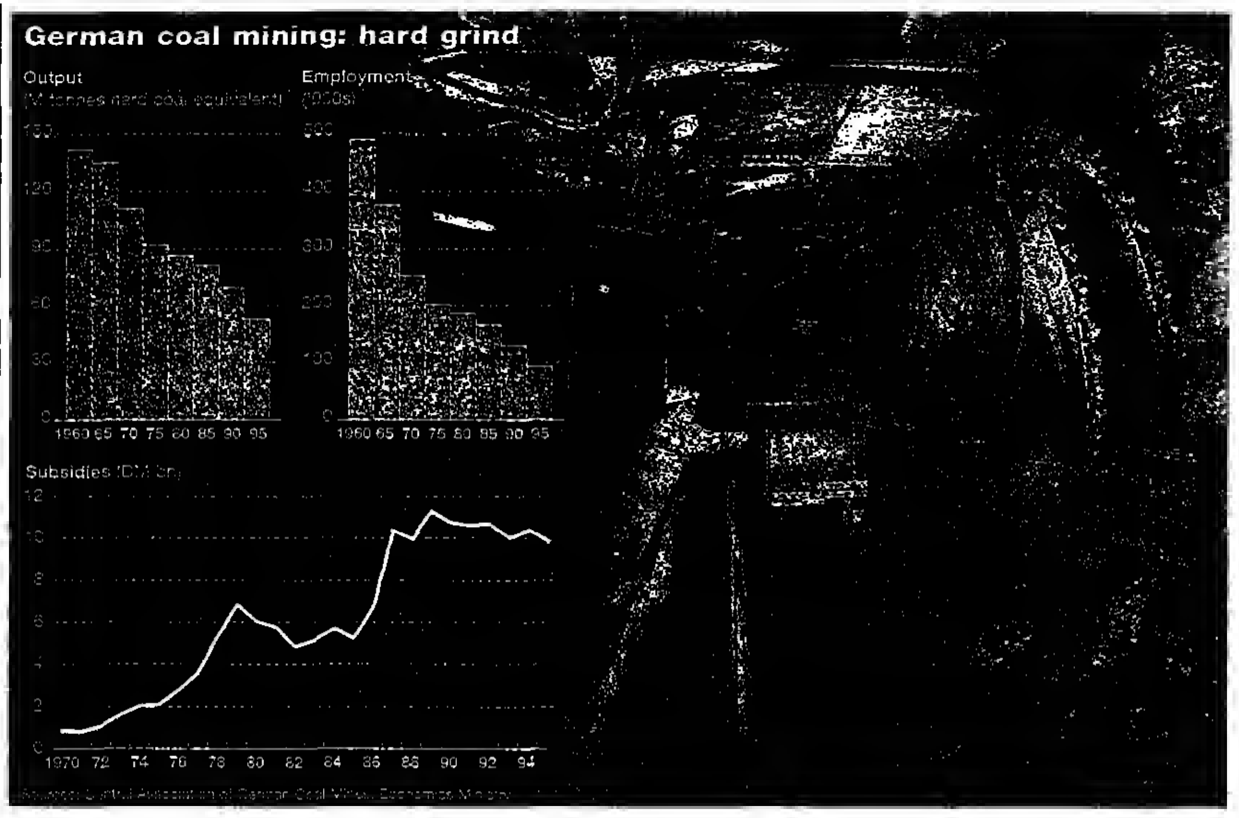

Hacking out a future for Germany's coal industry

Bonn faces difficult decisions over subsidies, writes **Ralph Atkins**

The lift cage at shaft 10, Prosper-Haniel coalworks in Germany's Ruhr region, plunges 1,000m in darkness to begin the journey to some of the world's least accessible coal seams.

Once underground, miners travel face down along conveyor belts 2.5km to the nearest coal face, their battery-powered lights illuminating black-rimmed, nervous eyes.

This month, the looks are perhaps more anxious than usual. Extracting coal in hostile conditions might be a triumph of German engineering. But it is costly.

Government subsidies – needed to bridge the gap between the DM280 ($167) it costs to produce a tonne of German coal and the DM80 world price – are running at about DM10bn a year, or more than DM100,000 for each of the country's 90,000 miners. In Bonn, the federal government hopes in the next few weeks to reach a decision on the subsidy's future.

There is strong pressure within Chancellor Helmut Kohl's Christian Democratic Union/Christian Social Union coalition for sweeping cuts leading to abolition after 2005.

Subsidising uncompetitive mines is seen as an economically unfashionable luxury when cheaper imported coal is available and Germany wants to find savings for job-creating tax cuts.

As Mr Gunnar Uldall, economic spokesman for the CDU/CSU in the lower house of parliament says: "Germany will soon be the only country in Europe that subsidises to any significant extent the decline of the coal industry."

The debate is not over yet, however. The coal industry – comprising Essen-based Ruhrkohle and its smaller rival Saarbergwerke in Saarland – is confident of preventing its complete dismantling with a case based on two main arguments.

The first is that Germany needs to preserve an industry exploiting one of the country's few indigenous sources of energy. Abolishing subsidies would lead to a complete shutdown. Once unmaintained and filled with water, the mines could not be re-opened. "The most important point is to keep the option of a German coal industry open for future generations," says Mr Andreas Reichel, head of communications at Ruhrkohle.

> The coal lobby accepts subsidies cannot continue at the present level. Working in co-operation with the unions, the industry has drawn up proposals for cutting capacity by a third by 2005

The second is that protecting a "living" coal industry in Germany is vital if the country is going to maintain its strength as a manufacturer of coal machinery.

Mr Reichel says the growth of mining in fast developing countries including in Asia means coal machinery is "a technology of the future".

Having a "test track" at home is important for export success. "The difficult conditions in the German industry have led to the creation of a high technology."

At Prosper-Haniel the sophistication of Germany's cutting edge is not immediately apparent.

Along the coal face, an automatic excavator sears 300m through the darkness along the narrow seam, only about 1m high, with a high-volume scream, throwing lumps of coal on to a clanking chain conveyor.

After every few sweeps the conveyor and excavator edge forward, the low adjustable steel roof supports creaking and spewing dust over miners crouching alongside.

However, according to the Association of German Machine and Plant Engineering, the country accounts for 40 per cent of exports of coal machinery by western industrialised nations.

Nevertheless, the coal lobby accepts that subsidies cannot continue at the present level. Working in close co-operation with unions, the industry has drawn up its own proposals for cutting capacity by a third by 2005, reducing the public subsidy to about DM7bn a year.

Six out of 18 mineworks would close and employment would halve to about 45,000.

Mr Michael Eisenmenger, Prosper-Haniel manager, said: "We know that long term we can't live without a subsidy but accept that their should be a cut."

At that pace of reduction, the social and commercial pressures on an area of Germany traditionally reliant on heavy industry would be controlled.

Ruhrkohle itself is going through an extensive restructuring – increasingly diversifying its interests into spin-off industries such as environmental protection. Some 15,000 places are provided by the group for retraining miners in other professions.

But change takes time. Many older miners have already been retired – the average age is now only 33 – yet local communities remain wedded to the industry.

Competition is fierce for training places that Ruhrkohle has for miners it hopes to employ in the future.

In Bonn, there are strong indications the coal industry is winning its argument. In the foreword to a recent Ruhrkohle book on the outlook for the industry, Chancellor Kohl gave an assurance that "German coal is and remains an important energy source that even in the 21st century will contribute to the country's energy supply".

There is little appetite for action which would further exacerbate Germany's already high unemployment. In the political bartering, the coal industry is benefiting from its role as an alternative to the unloved nuclear sector.

The widely held expectation is that coal subsidies will fall to about DM5bn-DM6bn in 2005 – halving the industry's capacity and cutting employment to around 30,000.

That may be lower than miners' hopes but it will offer comfort.

The fear at Prosper Haniel is of a decision being deferred, affecting investment planning – and leaving miners wondering how much longer the lift gates will open to the daylight with a clank that rings across the surrounding countryside.

Italy tries to put rail talks on track

By Robert Graham in Rome

Italy's centre-left government has intervened to arrange a delicate truce between the management of the state railways (FS) and unions over the restructuring of the loss-making public service.

The government is to shelve, albeit temporarily, ambitious plans to split FS into two entities – one to control the infrastructure and the other the operation of the network.

Undertakings have also been given to maintain employment following union fears that the government's restructuring plans – outlined in a cabinet directive of January 30 – contained a hidden agenda to cut jobs.

In return the unions have agreed to call off industrial action while the two sides study their positions more carefully.

Last weekend the network was shut down by a 24-hour strike in protest against the restructuring, and further stoppages were planned this week.

The agreement, defined as a memorandum to guide detailed talks on the railways' future, was finalised late on Tuesday night after intense bargaining. The contents are sufficiently ambiguous to permit both sides to save face.

Although the government has been obliged to put on hold the centrepiece of its scheme for a revitalised and more profit-conscious rail system, it has succeeded in driving a wedge between the unions.

The main train drivers union (Comu) – the most militant of the six rail unions – has refused to accept the deal and yesterday confirmed it would go ahead with a 24-hour strike on Saturday. Comu has the power to paralyse rail transport but the drivers risk being isolated by members of the other five unions who recognise the railways need overhauling. The common ground among the unions is their determination to protect privileges such as free travel.

Mr Claudio Burlando, the transport minister, yesterday conceded that the management of the FS and the unions were approaching the modernisation of the railways from very different positions. The unions fear that splitting the FS into two will disperse their membership and weaken their bargaining power.

Underlining the plight of the railways, Mr Carlo Azeglio Ciampi, treasury minister, told parliament yesterday FS's losses increased by L1,200bn to L2,700bn ($1.65bn) last year. He blamed costly early-retirement pay-offs, social security costs and previously agreed wage rises.

A complicating factor in the battle over the future of the railways – only half of whose 16,000km of track is economically viable – is an unresolved wage claim. The unions are pressing for increases that risk breaching the government's income policy guidelines.

Productivity is among the lowest in Europe and running costs among the highest. The management is hampered by curbs on raising fares, low by European Union standards, because the government fears the impact on inflation.

Talks on the future of the railways are scheduled to restart on February 20. Union representatives said they did not expect quick results. Mr Burlando did not rule out a showdown if he felt the unions were blocking modernisation.

French inward investment plan

By Andrew Jack in Paris

The French government yesterday announced a reorganisation of its inward investment network as part of an aggressive strategy dasigned to increase the number of jobs created or preserved by foreign investment by 2000 by nearly 75 per cent.

Mr Henri Martre, head of the Invest in France Network, unveiled details of a new advertising campaign targeted at companies under the banner of "Win in France".

Separately, Datar, the government's regional development agency, said it was in the process of signing an agreement with the state export promotion department which will extend the number of inward promotion bureaux it helps control outside France to 18.

This follows the success of similar agreements reached last year with two other groups which run offices overseas promoting investment.

Datar said the number of French jobs created or preserved as a result of foreign investment had risen by 15 per cent to more than 22,800 last year.

Its objective over the next four years was to increase the figure to 40,000.

Nearly 7,400 jobs had been created or preserved with assistance from French regional development funds, with a cost per job of FFr40,000 ($7,070).

Mr Jean-Daniel Tordjman, French investment ambassador, said foreign investment flows around the world were likely to grow to $1,500bn during the next five years but, in spite of an increasingly competitive market, France remained one of the most attractive locations.

Mr Tordjman said its strengths included car components, logistics and research.

It was taking significant strides to develop Paris as a site for corporate headquarters and logistics businesses following favourable modifications to the country's tax regime last year.

Datar said that 56 per cent of last year's jobs had come from investors in northern Europe, topped by Belgium and the UK, with a further 21 per cent from North America and most of the remainder from Asia.

Separately yesterday, Mr Yves Galland, trade minister, unveiled plans for an ambitious trade fair later this year aimed at encouraging small businesses to export.

He said less than 10 per cent of France's 1.5m companies currently sell to foreign markets, with 40,000 accounting for 99 per cent of total trade.

EUROPEAN NEWS DIGEST

Lisbon acts to free telecoms

The European Commission yesterday agreed to a Portuguese government proposal to bring forward the complete liberalisation of the country's telecommunications market to 2000, two years after most other EU countries, but three years before it had originally agreed.

Portugal had been given until 2003 to liberalise by the EU, but the government decided to anticipate expected action by the Commission to shorten the transition by proposing a deadline of 2000.

The Commission did not agree to a request to delay ending the monopoly of state-controlled Portugal Telecom over telecommunications networks. It ruled that competitors be allowed to operate some services over their own networks by July 1 and that mobile telephone operators be permitted to use "alternative infrastructure" immediately.
Peter Wise, Lisbon

EU to probe French aid

The European Commission is to investigate FFr2.5bn ($440m) of state aid paid to Société Française de Production (SFP), a French television production company on the verge of bankruptcy.

The money is intended to support a restructuring plan, related to an offer by Images Télévision International et Général d'Images to take over the business. The Commission has approved emergency aid of FFr350m to meet SFP's immediate cash flow requirements. The probe could last up to three months and will look at whether the restructuring plan will make the company viable.

Brussels is also examining state restructuring aid given to Keller, and Keller Meccanica, Italian rolling stock manufacturers. The EU has doubts about two soft loans totalling L40,339m ($24.7m) and state guarantees covering 50 per cent of the loans.
Emma Tucker, Brussels

Brussels boosts health watch

Tha European Commission is to set up a "super committee" of commissioners to oversee human health issues, in the wake of tha "mad cow" crisis. The move is part of an extensive reorganisation of animal and human health functions announced by the Brussels executive yesterday.

Although the Commission indicated last month its intention to make the changes, the formal announcement yesterday was seen as an effort to avoid a clash with the European parliament. Parliament will vote in Strasbourg next Wednesday on the highly critical report by its special inquiry committee on the handling of last year'e beef crisis, and threatened a censure motion against the Commission unless it revamped its policies.

The shake-up aims to ensure proper separation between the functions of scientific consultation, preparation of legislation and monitoring of its implementations, and between staff dealing with the agricultural market and consumer policy.

Responsibility for human health issues, spread across several Commission departments including Mr Franz Fischler's agriculture directorate, will pass under sole control of Ms Emma Bonino, commissioner for fisheries, consumer policy and humanitarian affairs. A committee to co-ordinate health issues, including Ms Bonino and Mr Fischler, chaired by Mr Jacques Santer, Commission president, will also be set up within the decision-making "college" of 20 commissioners.
Neil Buckley, Brussels

France bans modified maize

France has banned cultivation of genetically modified maize, despite a recent decision to permit sales provided it was labelled as such. The government recently lifted a ban on 30,000 tonnes of genetically altered American maize which had been held up for a month in the western French ports of Montoir and Lorient.

Consumer groups have campaigned against the modified maize since the EU approved the product in December. On February 7, Austria and Luxembourg banned imports of the maize, which it is feared could harm animals and humans.
AFP, Paris

Swiss may start pay-outs soon

The Swiss government could begin channelling assistance to survivors of Nazi persecution within a matter of weeks. Mr Flavio Cotti, Switzerland's foreign minister, yesterday announced a two-step procedure. The first was the setting up of a government-administered special fund, backed by the private sector, to support humanitarian projects, such as aiding survivors of Nazi persecution regardless of religion, race or origin. The Swiss government will not contribute to this fund, but plans to set up and finance before the summer a separate foundation with broader scope.

Mr Cotti reiterated the Swiss government's position that a decision on his government's financial contribution will be made only after the publication of "comprehensively confirmed facts". The Swiss government-backed historical commission expects to make its initial reports on the gold transactions of the Swiss National Bank and Switzerland's wartime refugee policy before the summer and this could clear tha way for the government's contribution. Mr Cotti said any decision had to have broad popular support and this could take time.
William Hall, Zurich

Poland may speed sell-offs

Poland will need to speed up privatisation in order to meet the cost of the shift to a fund-based pension system, tha top government official for the programme said yesterday. Mr Jerzy Hausner said tha cost of replacing the pay-as-you go system in 18 months time will be equivalent to between 1 and 1.5 per cent of GDP a year. According to Mr Michal Rutkowski, one of tha architects of the reform, the change should not see the country's budget deficit of around 2.7 per cent of GDP rise. However, the government will have to tighten pension payments and double the annual pace of disposals worth around $1bn to raise the necessary revenue.

Under the reform plan the government will issue bonds, available both to foreign and local investors, which would antitle them to purchase stock at a discount in state sector companies. The reform also envisages the establishment of privately owned investment funds which would manage a part of the present contribution employers make to the pay-as-you-go scheme. The contribution currently stands at 45 per cent of gross wages.
Chris Bobinski, Warsaw

Police block centre of Tirana

Riot police blocked the centre of Tirana yesterday to prevent Albania's opposition from staging new protests against the government for its handling of the collapse of pyramid investment schemes in which many Albanians had their savings. Two truck loads of police descended on the headquarters of the Forum for Democracy opposition alliance and prevented prominent politicians, including Mr Rexhep Mejdani, the Socialist party chief, from leaving the building. Mr Aleksander Meksi, the prime minister, has vowed to crack down on a wave of protests, which he says are organised by left-wing extremists.

In Vlore, about 5,000 people massed peacefully in the centre of the town. The protests in the port have been peaceful since Monday though the government has threatened to impose a state of emergency.

Other protests had taken place in four towns near the Greek border.
Reuter, Tirana

NEWS: EUROPE

Solana attacked for expansionism during tour of four former Soviet republics

Kremlin denounces Nato chief's visit

By John Thornhill in Moscow and Quentin Peel in London

The Kremlin yesterday intensified its anti-Nato rhetoric, accusing the western alliance of trying to subvert Russian security interests in its own backyard.

The attack was aimed at Mr Javier Solana, the security organisation's general secretary, who is on a tour of four former Soviet republics.

It followed a stream of criticism from senior Russian officials of Nato's plans to expand the alliance by including new member states from central and eastern Europe.

Mr Sergei Yastrzhembsky, the presidential press spokesman, fiercely denounced Mr Solana's visit as an attempt to pre-empt closer military co-operation between members of the Commonwealth of Independent States.

"The west as a whole, and the leadership of Nato in particular, is opposed to any form of political or military integration between the newly independent states, especially when they are initiated by Moscow," he said.

The latest broadside coincided with an announcement in Brussels that Nato foreign ministers will gather for an informal meeting next week with Mrs Madeleine Albright, the US secretary of state.

How to handle Russia's hostility to enlargement will be the main item on the agenda. Mrs Albright is due to visit Moscow two days later, and Mr Yevgeny Primakov, the Russian foreign minister, is due for talks in Brussels on February 23.

Although the belief within Nato is that the increase in Russian rhetoric against enlargement is partly intended to secure a better deal for itself, senior Russian officials say they want the whole process delayed. Nato intends to launch enlargement negotiations formally at its Madrid summit in July, to include at least Poland, Hungary and the Czech republic.

Nato officials rejected the Russian criticism of Mr Solana's visit to Moldova, Georgia, Armenia, and Azerbaijan, saying he was visiting these countries to understand the concerns of small, non-aligned states.

Mr Solana further sought to allay Russian fears by ruling out the possibility Nato would deploy nuclear weapons in Poland, Hungary, and the Czech republic if they are admitted as new members by 1999.

A central problem for western negotiators over Nato is that different Russian officials have been making contradictory noises during the absence from daily decision-making of President Boris Yeltsin.

The Kremlin has been talking down the epeed of his recovery from pneumonia, suggesting he needs another 10 to 15 days of rest. This implies that the confusion over policy towards Nato may perеist for some time.

Estonian premier says he will resign soon

By Matthew Kaminski in Kiev

A privatisation scandal yesterday spelled the end for Estonie's three-month-old minority government. Mr Tiit Vähi, the prime minister, announced he would resign "as soon as political parties agreed on a new government".

The imminent change of government, the third in less than two years, highlights the continuing political instability in the Beltic region. Latvia's government also fell last month. Estonian leaders have expressed concern that fractious politics might undermine hopes of being in the next group of entrants to the European Union.

The crisis began last month when Mr Vähi admitted his daughter was among the 181 influential Estonians who covertly got their flats in a special city sale. Separate allegations that state funds were used in renovating the prime minister's apartment further weakened Mr Vähi.

The prime minister denied any wrongdoing, and no formal investigation has been launched.

Mr Vähi's position became untenable after his government, which can rely on just 41 votes in the 101-seat parliament, barely survived e no-confidence motion in parliament on Mondey.

The Centre Party, not a coalition partner but previously an ally of Mr Vähi's, ebandoned the prime minister following accusations that his daughter had benefited from the privatisation of apartments in Tallinn's old town at below market prices.

Several parties last night held talks on forming a new government that could again include the Mr Vähi's Coalition Party, which holds 19 seats, but probably under a different prime minister.

The Reform Party, the other large parliamentary grouping, with 19 eeats, has also expressed an interest in taking power. The party quit the previous government in November after a dispute with Mr Vähi.

Under Estonian lew, at least three attempts can be made et winning parliamentary approval for a new government before elections have to be called.

Analysts in Tallinn, the capital, said early elections were unlikely even though the current party make-up of parliament left open the potential for future political uncertainty.

The first government formed after the last general election in March 1995 fell six months later when it emerged that the interior minister had secretly taped his telephone conversations.


Yeltsin: no one knows how long he can survive *Reuter*

Russia turns mind to life after Yeltsin

Chrystia Freeland on a debate about changing the constitution

In the land of autocratic tsars and communist commissars, "konstitutsia", the Russian term for constitution, has always been a word to conjure with.

In an attempt in 1825 to force constitutional limits on the monarchy, "konstitutsia" was the impassioned rallying cry on the lips of protesters in St Petersburg. The power of their demand was somewhat muted, however, when it became clear they had thought "Konstitutsia" was a princess.

"Konstitutsia" is again in political fashion. While there is little danger of confusing the current female occupants of the Kremlin with princesses, the debate is very much focused on one man – President Boris Yeltsin.

The past few days have brought increasingly ominous portents about the state of the Russian leader'e health. Yesterday, Mr Renat Akchurin, a top Kremlin doctor noted for his glowing reports on Mr Yeltsin's condition, ceutioned that it would be 10 or 15 days before Mr Yeltsin made a full recovery from the pneumonia he contracted last month. He described the president as "somewhat weak".

The previous day, Mr Sergei Yastrzhembsky, the president's spokesman, said Mr Yeltsin's "rehabilitation goes rather slowly" and "we should not expect a speedy return to the Kremlin".

It is these bleak soundings ebout Mr Yeltsin's health that have focused the minds in the Kremlin on the constitution. The problem, from the standpoint of the ruling establishment, is that as Mr Yeltsin'e illness drags on, the strong-arm constitution which once seemed so useful to the current regime is appearing more and more threatening.

For a start, in the event of the death or incapacity of the president, the existing constitution calls for new elections in three months.

If opinion polls are to be trusted, the front-runner in a snap presidential election would be Mr Alexander Lebed, the former security chief who has publicly rowed with most of Mr Yeltsin's current entourage. Moreover, under the current constitution, a victory by an outsider such as Mr Lebed would, in the view of the insiders, be doubly undesirable because of the vast powers the constitution would grant him.

"These discussions of constitutional change are not a revolt against Yeltsin," said Mr Andrei Piontkovsky, director of Moscow's Centre for Strategic Studies. "Instead, they represent the fear of his successor, who, in today's circumstances, would most likely be Lebed."

And so, at first quietly, and now with increasing vigour, Kremlin insiders have begun to broach the once sacrosanct issue of constitutional change. The first inkling came from Mr Yegor Stroyev, the powerful chairman of the upper house of parliament, who last month said that the constitution was "not an icon" and might need to be revised.

His comment was taken up by parliamentarians in the lower house and prominent Yeltsin aides, including Mr Boris Berezovsky, the controversial businessman appointed last year to the security council.

The presidency is strong; the president weak

The proposals then received a public stamp of approval from Mr Yeltsin. After e recent meeting with the head of the constitutional court, the president issued a statement calling for constitutional "evolution". He said he would spell out his plan in a state of the nation address to the upper house of parliament expected next month. However, Mr Yeltsin's spokesman yesterday appeared to hedge that statement, rejecting e call for a constitutional assembly and saying the president thought the current constitution "viable".

Mr Piontkovsky believes that the Kremlin is mulling over at least two main versions of constitutional change. One proposal would be to amend the constitution so that the three-month caretakership by the prime minister in the event of the president's death or incapacity would be lengthened to the end of the elected president's regular term, along the lines of the American system.

Another, more radical scheme, would be to alter the process of selecting the president, shifting from a direct, national election, to voting by e federal assembly, composed, perhaps, of the two chambers of parliament.

Some liberal politicians not involved in jockeying for the presidency are hoping to use the interest in constitutional amendments to replace a system dominated by the presidency with a greater balance between executive, legislature and judiciary.

"The main issue is actually not the president's health, it is that we have a presidency which is structurally dangerous for Russia," argued Mr Grigory Yavlinsky, leader of the democratic opposition Yabloko party. "What the Duma [the lower house of parliament] must do now is create a constitution such that when the president has a headache, the entire country does not collapse."

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Ecuador leader promises stability

By Sarita Kendall in Quito

Ecuador's third president in five days has taken office promising to restore stability to the country after a week of strikes, marches and political turmoil.

Mr Fabián Alarcón was voted in by more than two-thirds of Congress on Tuesday night and was driven through cheering crowds to the presidential palace to sign his first decrees.

In his inaugural speech, Mr Alarcón made clear he understood his role as interim president and said he would work very closely with Congress, which he himself has led three times.

Ms Rosalia Arteaga, who was Mr Abdalá Bucaram's vice-president and took over the presidancy when Congress forced him out last week, resigned her post. But, before going, she called for a plebiscite to ratify her position as rightful president. This will be ignored by Mr Alarcón's government, which is to call a general election within a year. An elected president will take over in August 1998.

Although Mr Alarcón belongs to a small party – the Frente Radical Alfarista – he has the support of several political groups, including the powerful Social Christians.

A 49-year-old lawyer with experience in national politics and local government, he is well placed to forge the consensus now needed. "He has great ability and he needs the support of all Ecuadoreans," said Mr Rodrigo Paz, a former finance minister and presidential candidate. "We must give him time."

However, the people and politicians who forced Mr Bucaram out of the presidency may be less patient. Opposition leaders and unions say they will return to the streets in protest if the government pushes ahead with privatisation plans, increases in the price of services and other measures that gave rise to last week's two-day strike.

One of Mr Alarcón's first decrees reinstated teachers and state employees sacked by Mr Bucaram. Another put the armed forces in charge of the customs system, which had become a focus of extreme corruption in the Bucaram regime. Asked about his economic policies, Mr Alarcón said he needed a few days to analyse the situation and present proposals.

There are two economic priorities for the government, in the view of Mr Pablo Lucio Paredes, economist and former head of the National Development Council. "The first is to control spending, a series of useless programmes must go. The second is that the price of services will have to go up and people will have to understand this, though it's unpopular."

Mr Bucaram, who flew to Panama by private aircraft on Tuesday, said he would be returning after visiting Argentina, Colombia and other countries. He said Ecuador was living under a civil dictatorship and that he would be back to rouse the people next week. However, the armed forces have made it clear that they support Mr Alarcón's "constitutional government".

Editorial comment, Page 11


President Alarcón: well placed to forge consensus Reuter

Pressure grows to water down pollution curbs

By Bruce Clark in Washington

The US administration came under congressional pressure yesterday to scale down its plans for much tougher air pollution controls as the gloves came off in an emotional fight between environmentalists and industry.

Senator John Chafee, the environment committee chairman, who has hitherto been a moderate supporter of green causes, said full implementation of the administration's plans could prove unworkable and discredit the 1990 Clean Air Act, which has underpinned the drive against pollution.

But Ms Carol Browner, the director of the Environmental Protection Agency (EPA), has insisted that the health of millions of people will be affected by her plan to enforce tighter limits on ozone and particulate matter or soot.

The EPA is required to announce the new standards by the summer under the terms of a court order obtained by the American Lung Association.

Ms Browner told a Senate hearing yesterday that the EPA's proposals for a new ozone standard – cutting the permitted level to 0.08 parts per million measured over eight hours from 0.12 measured over one hour – would double to 100m the number of people adequately protected from that pollutant.

At least 13m beneficiaries of improved standards would be children, who were more vulnerable than adults because they inhaled more air in relation to their body weight, Ms Browner said.

"The law requires us to provide a margin of safety," she said. "There is no more appropriate application of that requirement than to ensure that our children, simply by playing outdoors, are not doing irreversible damage to their health."

In a highly charged debate, opponents of tighter standards have suggested that homely American pastimes such as mowing the lawn and barbecues could be outlawed as local authorities look for ways to meet virtually impossible standards.

The EPA says that the new standards are justified by the latest research on public health, which is the only criterion that the agency is mandated to consider, and the change would also have economic benefits that far outweigh the cost.

Lobby groups for the oil, mining, steel and other manufacturing sectors have made a two-pronged reply: in the case of ozone, the health benefits are clearly outweighed by the cost – and on soot, whose apparent health effects are much worse, the scientific research is inconclusive.

For soot, a cost benefit analysis by the EPA agency has valued the improvement in public health at up to $120bn, taking into account the avoidance of premature deaths – calculated at $5m each – and chronic bronchitis.

But Mr Tom Lareau, a senior economist with the American Petroleum Institute, argues that even if the EPA is right about the effects of soot, the benefit from restrictions is more like $20bn – given that most deaths from respiratory disease occur among elderly people whose life expectancy is low.

Mr Lareau said that even on the EPA's own assumptions, the cost of enforcing tighter soot standards was likely to be between $20bn and $30bn, rather than the $6bn suggested by the agency. He reckons the EPA's calculations are flawed because it underestimates the number of areas that fail to attain the proposed standards.

On the other side, environmentalists have suggested that accepting any kind of cost benefit analysis sets a bad precedent.

The used-car, bad-loan road to riches

Or ruin. **John Authers** charts the rise and stall of the latest US craze of lending money to people with poor credit records

When Mr James Doyle, financial controller of Mercury Finance, the Chicago-based lender, left his office on January 23, nobody realised he would not be returning.

The company, which led the booming industry in "sub-prime" car loans to people with poor credit histories, had just announced healthy profits of $120.7m for 1996. By the time Mr Doyle resurfaced a week later, Mercury Finance had already been forced to admit that its profits were less than half what it had reported – $56.7m. It said Mr Doyle had disappeared.

Mr Doyle's re-appearance came when his lawyer revealed that he was co-operating with federal law enforcement officials. He denounced the "charade" at Mercury Finance.

This incident proved to be the trigger for a sweeping loss of confidence in the entire sub-prime sector. Share prices of the main players fell by up to 30 per cent, several suffered downgradings of their credit from rating agencies, and there were huge sales of their bonds on the capital markets.

A period of swift growth has, at least temporarily, been halted.

It is difficult to track the size of the industry, as there are almost 100,000 car retailers in the US, but Mr Scott Willkomm, a director of Prudential Securities in New York, estimates the total value of sub-prime car loans outstanding at between $50bn and $75bn.

About 25 sub-prime lenders have floated on the market in the last two years. All of them are now under much closer scrutiny.

According to Mr Willkomm: "There were opportunistic types who saw a lot of money being made. They say fools rush in, and that's clearly what happened. It's not dissimilar to what happened in savings and loans in the late 1980s."

Mercury's difficulties created such attention because it had led the move into sub-prime credit in the late 1980s, and had spawned many imitators.

"The sub-prime industry really grew because a lot of companies saw how much money Mercury was making," said Mr Richard Schmidt, who covers the sector for Standard & Poor's, the rating agency. "They jumped on the bandwagon."

Wall Street was prepared to offer them cheap money, by buying bonds backed by the company's loans. This was a key factor in the sector's growth, as the alternative – borrowing from banks at venture capital rates – would have been prohibitively expensive.

The capital markets were attracted to the fledgling sector because of its apparent immunity to economic recession.

"You could arguably say that the sub-prime borrower is in permanent recession," said Mr Schmidt. "It's almost like they are under water already so the waves don't hurt them too much."

Mr Willkomm cautioned, however, that Wall Street may have taken this argument too far. "Their incomes are not necessarily particularly low. What distinguishes the sector instead is the previous aversion that its customers have shown to repaying debts."

Their key defining characteristic is a bad credit history – generally a personal bankruptcy or a repossession in their past. This means that the skills required to survive in the sector are different from any other consumer credit industry.

"It's not just a question of lending money to a formula," said Mr Schmidt. "It's a whole mind-set. Companies which can repossess their assets swiftly, reliably and cheaply will perform best."

He added: "You don't send out a friendly reminder after 20 days. You send a monthly invoice, and back it with a phone call. And you have to be willing to take back the collateral much quicker."

Mercury Finance's story has continued to unfold over the last two weeks. Once its shares re-opened on the New York stock exchange, they dropped $13, or 87 per cent, to $1⅞ on huge volume, lopping more than $2.2bn off its market value.

This week brought news of a class action lawsuit brought by shareholders alleging that corporate insiders "sold 545,000 shares of Mercury Finance common stock at artificially inflated prices and reaped proceeds in excess of $6.7m".

The suit further alleged that Mr John Brincat, Mercury Finance's chief executive, who has already agreed to stand aside in favour of Mr William Brandt, an external expert in corporate recoveries, "was paid millions of dollars in cash bonuses that were tied directly to the company's falsely reported earnings".

Several potential buyers are known to be eyeing the company, and commercial banks, in particular, now seem to see an opportunity to buy into the sector when prices are favourable.

The day after Mercury announced that its profits had been overstated, Jayhawk Acceptance, a Dallas-based sub-prime lender, announced that it was taking a $15.5m charge on last year's accounts because it was unable to recover advances it had made to certain lenders.

Last week Jayhawk filed for bankruptcy protection after the bankers who held the company's revolving credit agreement declared the company to be in default. Again, there is speculation that some investors may be willing to take the company on.

Both Mercury and Jayhawk were looking to expand away from used cars, and in recent months had briefed Wall Street on their intention to move into financing the costs of plastic surgery.

Analysts seemed sceptical. "What happens if someone defaults?" asked one. "They repossess someone's nose?"

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FT FINANCIAL TIMES

Panama filling gap left by US, says president

By Stephen Fidler and Ken Warn in London

The withdrawal of all US troops from Panama by the end of 1999 will bring in new investment that will more than make up for the loss of income, according to President Ernesto Pérez Balladares.

The US and Panama agreed in November that no US troops – save possibly a small contingent in a proposed Panama-based multinational anti-narcotics force – would remain after the canal is handed over to the Panamanian government.

Mr Pérez Balladares said in an interview in London that the more than 6,000 troops currently stationed in the country would be gradually reduced until the handover. The US was not willing to pay rent after 1999.

Efforts to find investors to exploit the areas being vacated were succeeding, the president said. "I feel very satisfied and very much at ease with our substitution efforts. The income that we are going to generate is much larger that we would have got for the US presence in Panama."

US Defence Department estimates suggest the military presence contributed some $366m a year to the economy, about 5 per cent of gross domestic product.

Mr Nicolas Ardito Barletta, the former president who heads the Interoceanic Regional Authority, the agency charged with developing the so-called "reverted areas", said close to $700m of investment commitments had been lined up, and there were good prospects for more. Tourism groups accounted for more than $300m of development in the next four years; investment for the commercial areas totalled $75m.

Mr Pérez Balladares said the US was considering his proposal for a multilateral anti-narcotics base for surveillance of drug trafficking and intelligence gathering. Other countries in the region were free also to join the force, he said.

He admitted economic growth had been relatively low at about 2 per cent in the past two years but said: "We are looking for 4 per cent-plus growth for 1997 and better in '98."

A new banking law should be in place by September. Panama's banking sector has been criticised for being out of date and lacking transparency, so encouraging money laundering. New legislation was also likely to include a provision under which banks could be forced for the first time to throw open accounts where suspicious transactions had taken place.

He said that the government had agreed with the country's lawyers to introduce a "know your client" rule, trying to stamp out the practice of lawyers standing as nominee directors and chairmen of companies of which they knew almost nothing. A change in the law would be considered if the agreement did not resolve the problem.

● Panama was likely to hand over 49 per cent of its telephone monopoly and its operations in April or May, said Mr Pérez Balladares. Two bidders had pre-qualified: Cable & Wireless of the UK and GTE of the US.

US to let CNN open in Cuba

The US administration will allow Cable News Network and nine other news organisations to open bureaux in Cuba if Havana approves, a Washington official said yesterday, AP reports.

Senator Jesse Helms, chairman of the Senate foreign relations committee, had endorsed the idea, the official added.

US permission for Havana bureaux will be extended to: the Associated Press, CNN, ABC, CBS, Univision, the Miami Herald, Dow Jones News Services, Cuba Info, the Chicago Tribune and the Sun-Sentinel of Fort Lauderdale, Florida.

A Cuban foreign ministry official in Havana, contacted by telephone, said that CNN, which is viewed worldwide, was the only US news organisation yet authorised by the Cubans. "We will continue analysing the rest of the applications," he said, and would make decisions when the government "considers it opportune".

The Cubans approved an application by CNN last November.

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Bankruptcy no. 54971 Srl "IMAC". Bankruptcy Court of Rome. At 12am on 11.6.97 the Official Receiver Dott. Maselli is to sell by auction, in a single lot with reduced base price Lit. 17,000,000,000, leading Italian company, still in business, producer of polimglass panes and accessories (machinery, commercial activity etc.); provisional carrying on of business 30.06.97, with 28 employees plus 8 with "labour mobility" requested; CTU (technical) reports of 19.9.94, 6.12.95. Written offers (according to articles 4 and 5 of the sale procedure) with bank draft made out to Fall. 54971 deposit and expenses 30% of base price by 1pm on the day prior to the hearing, minimum bid Lit. 150,000,000, the first of which obligatory; total of deposit and expenses to be paid 48 hours after adjudication, balance 60 days after adjudication, same payment methods. Information from receiver, +39/6/35403222, or the company, +39/6/66417141, Messrs. Urzia, Sarra. Official report from the Chancery. Company visits to be arranged 15 days prior to the auction.

NEWS: WORLD TRADE

EU delays clash on US anti-Cuba law

By Guy de Jonquières

The European Union yesterday asked the World Trade Organisation to postpone by a week the nomination of a disputes panel to rule on its complaint against the US Helms-Burton anti-Cuba law.

Sir Leon Brittan, EU trade commissioner, said the postponement, to February 20, would allow more time to seek a negotiated settlement. He said the US also wanted an agreed solution, but talks so far had achieved only limited progress.

Mr Stuart Eizenstat, US President Bill Clinton's special envoy on Cuba, welcomed the dacision. "We appreciate the additional time to see if we can come up with an amicable resolution of this matter," he said.

Yesterday's move is understood to have been influenced by a softening in the position of Italy, until recently the EU member which has urged Brussels most strongly to push ahead with its WTO complaint.

Italy is said to have told Mr Renato Ruggiero, the WTO director-general, yesterday that it recognised that pressing the case too vigorously could jeopardise tha WTO's disputes procedures and threaten the organisation's authority.

The US has said that if the WTO case goes ahead, it will try to block it by insisting the WTO has no jurisdiction in the matter. Washington says Helms-Burton is justified by national security and is not a trade issue.

But Sir Leon said a WTO panel must judge whether the national security defence was valid. If the US were allowad to determine the question, "the entire WTO dispute settlement procedure will be immeasurably damaged," he said.

EU officials said Sir Leon had asked for the postponement at the request Mr Eizenstat, US under-secretary of commerce for international trade.

The officials said they had no evidence Mr Eizenstat was about to make fresh proposals. But they expected Helms-Burton to be discussed when Mrs Madeleine Albright, US secretary of state, visits the EU Commission on Tuesday.

Sir Leon has been pressing the US to restrict the application of Helms-Burton, which authorises private US court cases against foreign companies "trafficking" in confiscated Cuban assets, and of the D'Amato law, which targets foreign investors in the oil industries of Libya and Iran.

Sir Leon bas proposed that:

- President Clinton strengthen his pledge to continue waiving Title III of Helms-Burton, which authorises the private court cases, by making clear that future waivers will be subject to no new conditions.
- The US President protect EU-based companies and citizens from Title IV of Helms-Burton, which allows the US to deny entry visas to executives of foreign companies with investments in Cuba.

Sir Leon has suggested the US define EU companies as "passive investors" under the law and exempt EU citizens from it.

- The US exempt EU companies, collectively or individually, from the provisions of the D'Amato legislation.

EU officials said the US bad not so far responded positively to the proposals. They said the delay in naming a WTO disputes panel would still allow it to rule by autumn, as planned.

US 'on board' for global telecoms deal

By Frances Williams in Geneva

Senior trade diplomats yesterday expressed optimism that a pact to liberalisa tha $600bn global telecommunications market will be successfully concluded by Saturday's deadline.

Mr Karl Falkenberg, the EU's chief telecoms negotiator, said be was "relatively confident" of a successful outcome. Though the European Union, like the US, was still looking for further improvements in the market-opening offers of other countries, he believed the package already on the table constituted the basis of a deal.

Mr Falkenberg said he detected a different mood among US negotiators this time compared with last April, when the US derailed a global agreement on the grounds that other countries' offers were not good enough to justify the unfettered opening of its own market.

Since then about 10 countries have come forward with new offers and about 20 have made improvements. In all, 57 governments have submitted offers in the current round of talks, representing over 90 per cent of total world telecoms revennes. Others are expected to put forward offers by tomorrow.

"I think the US will be on board at the end of tbe week," Mr Falkenberg said. Canadian officials took a similar view yesterday. "I believe we're very close to a deal – I'm more and more optimistic," said one senior negotiator.

The negotiator said Canada had no leeway to relax its 46.7 per cent foreign ownership limit for domestic telacoms companies, the focus of strong criticism by the US. However, it was considering improving its offer on satellite services.

Mr Jeffrey Lang, deputy US trade representative, said yesterday in a statement that the US was working hard to bring the negotiation to a successful conclusion, but "we still need to see improvements to the offers on the table".

The EU yesterday presented a revised offer that makes clear its commitment to liberalising all types of basic telecommunications, wbether the signals are transmitting sound, data or images. However, broadcasting is specifically excluded.

Most other problems also appear to have been settled, inclnding the treatment of satellite services and allocation of frequencies.

However, one important issue is unresolved - treatment of future commercial subsidiaries of the intergovernmental satellite organisations – Intelsat and Inmarsat. Tbe US is still considering whetber to exclnde these subsidiaries from its telecoms offer because they have an unfair competitive advantage.

Senator puts up obstacles over fast-track procedure on pacts

By Nancy Dunne in Washington

US Senator Ernest Hollings, an opponent of free trade agreements, is trying to attach conditions to the nomination of Ms Charlena Barshefsky as US trade representative whicb would require the president to bring any trade deals negotiated in Geneva to Congress for approval.

If successful, this could be an obstacle to talks on global trade accords on telecommunications and information technology (IT), both nearing conclusion in the World Trade Organisation. The administration says it has anthority under old legislation to negotiate both deals without returning them to Congress. But Congressional action could produce demands for changes in a delicately balanced trade pact, and the entire packages could unravel.

The senator could also filibuster Ms Barshefsky's nomination unless 60 senators vote to bring it to a vote. In 1994 Senator Hollings was able to delay approval of the World Trade Organisation, forcing President Bill Clinton to call a special Congressional session in December.

Senator John McCain, chairman of tha Senate commerce committee and Senator John Breaux, a Democrat, say they think there is only a slim chance of the Hollings proposal passing.

The senator's manoeuvring will provide en early test of sentiment in Congress and of wbether the bipartisan approach in favour of trade liberalisation will hold.

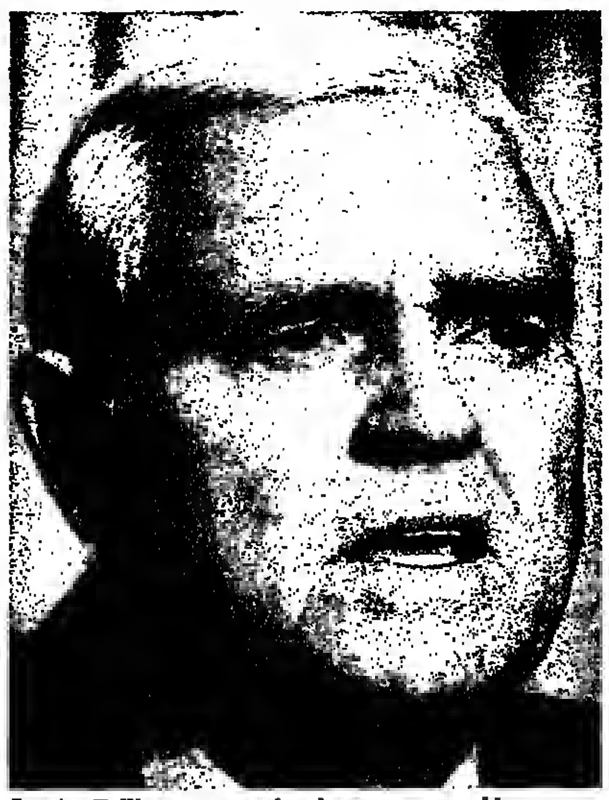
Ms Barshefsky is a popular choice for trade representative so the senator could be defeated. However, Senator Trent Lott, the majority leader, has been delaying the nomination.

It has heen held up for months because of a rule that US trade representatives cannot have had a foreign government as a client. As a trada lawyer, Ms Barshefsky provided advice to the Canadian government. Negotiations with the Senate finance committee resulted in a waiver for Ms Barshefsky, leaving the nomination on course for approval. Senator Hollings is now seeking to amend the waiver.

Senator Hollings may find support among those concerned about the US opening its multibillion dollar telecoms market to foreign investment. US law now limits the level of foreign investment, but this can be waived by the Federal Communications Commission.

There is also concern about the proposed Information Technology Agreement. Several senators are seeking the exclusion of capacitors, used in highly sensitive military technology. The EU has demanded their inclusion.

The US constitution gives Congress primacy over trade. For this reason administrations have Congressional authority to negotiate trade deals which cannot be amended. This so-called "fast-track" authority has expired and the administration is preparing for a major battle to renew it. However, the administration contends that the telecommunications, information technology, and financial services deals are covered by the previous negotiating authority.



Senator Hollings: congressional manoeuvre could undermine global telecoms and IT pacts

EU-Japan pigmeat row goes to WTO

By Michiyo Nakamoto in Tokyo

The European Union has complained to the World Trade Organisation over what it says are unfair practices by Japan relating to pigmeat imports. Tha two sides will hold hilateral negotiations next week on emergency safeguard measures Tokyo bas taken to restrict imports of pigmeat from the EU.

The EU says the Japanese measures have caused market disruption, effectively pricing European pigmeat out of the Japanese market for most of the year. Canada is joining the EU's request for WTO consultations.

The measures were introdnced between November 1, 1995 and March 31 last year and were reimposed on July 1 for nine months in order to deal with a surge in imports, according to Japan's ministry of agriculture. The measures are allowed under Urugnay Round world trade rules when imports exceed the average of the past three years by more than 19 per cent. As a result of the increase in pork imports, tariffs were raised from 4.8 per cent to 6.4 per cent.

Japan imports about one-third of its pigmeat, with Denmark, the EU's largest axporter, accounting for nearly a third of imports. As a result of the measures, Denmark's share of the market has fallen from 26.5 per cent to 19.2 per cent, the EU notes. The EU claims that the way in which tha measures were introduced discriminates against European exporters.

Specifically, the restrictions are aimed at frozen meat rather than fresh products, according to the EU. Since European companies are too distant to export anything but frozen meat, they are effectivaly sbnt ont of the Japanese market while the measures are in place.

As a result, the Japanese measures contravene the Uruguay Round agreement, which stipulates that safeguard measures must be implemented in a resonable manner and must avoid discrimination.

By keeping safeguard measures in place during the first three months of 1996, tha Japanese anthorities triggered a rush of imports from European producers, which in turn triggered the safeguard measures again, the EU complains.

Pigmeat imports from tha EU surged when the measures were lifted in April 1996 and plunged again when the measures were restored in July.

UK watchdog warns US on telecom rules

By Alan Cane

The UK's telecoms policy is equal to, if not better than, any in the world, Mr Don Cruickshank, Britain's telecommunications watchdog, said yesterday in a controversial defence of UK telecoms policy to an American audience.

Mr Cruickshank's first big speech to a US audience was designed to send a warning to US authorities that their regulatory metbods were neither necessarily relevant to the UK, nor the most appropriate for markets outside the US. The UK regime is under attack from US and other foreign operators who want easier access to the UK market, and from UK-based companies finding it hard to break British Telecommunications' market domination.

US operators led by AT&T are arguing that the planned $20bn (£12.5bn) marger between British Telecommunications and MCI of the US should be denied US approval until the UK changes its rules.

His remarks bave added resonance, coming in the same week the World Trade Organisation hopes to conclude a global pact on liberalising telecoms markets. US attitudes will be critical to the success of the talks.

Mr Cruickshank pointed out US curbs which had no relevance in the UK, in addition to regulatory problems solved in the UK, which the US has to tackle. These included charges levied by local operators for the use of their networks.

He endorsed the UK philosophy of encouraging market entrants to build their own networks to reach customers in competition with BT: "I want to emphasise I regard provision of competing access networks as vitally important. Unless there is network competition in the local loop (the final connnection between customer and exchange) regulation will always be necessary to set the terms of access."

Companies such as AT&T which have not built their own networks complain their customers are forced to dial a three digit prefix before being able to place calls. He accepted US companies found this restriction difficult to understand.

In a truly competitive market, there would be no restrictions on investment in companies, no mattar the nationality of the investor. Tha industry, rather than consumers, should bear the cost of universal service provision."

Sumitomo plans Internet trade

By William Dawkins in Tokyo

Sumitomo Corporation, the leading Japanesa trading house, is to set up what it believes will be Asia's first Internet-based alectronic trading system in a joint vanture with Singapore Technologies, the Singapore govarnment-owned industrial group.

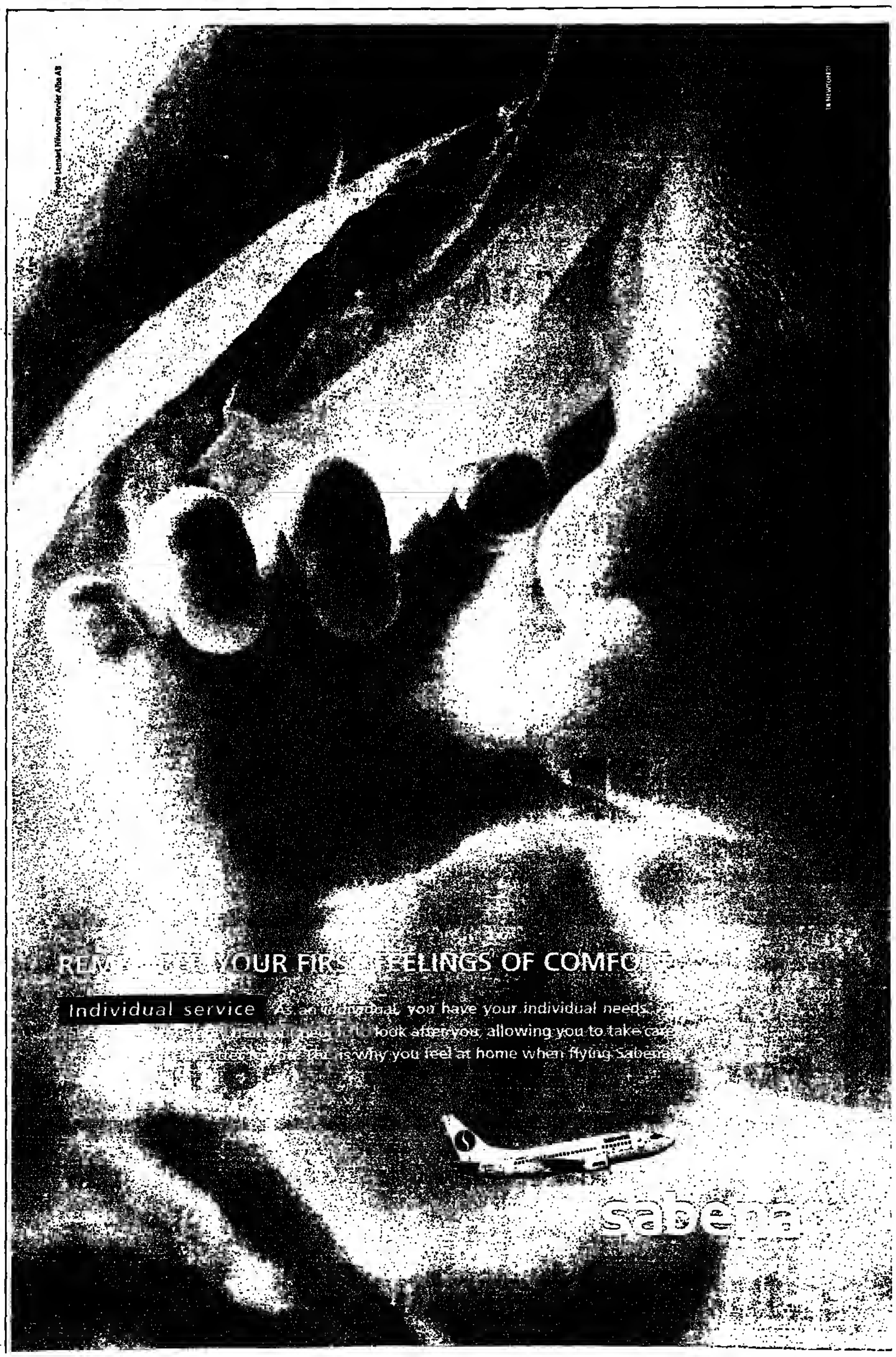
The system will match huyers and sellers via the Internet, arrange for delivery and clear payments on behalf of trading companies across the region. It will be set up by the end of April and start operating in March next year, handling exports of used cars from Japan to the rest of Asia.

Sumitomo said the group planned extending the system to handle other goods, such as electronic components, construction machinery, oil and petrochemicals, and was seeking similar partnerships with US and European companies.

The joint venture, to be named Asia Business Venture Holding, would be based in Singapore, with branches in Japan, Hong Kong, Thailand, Malaysia and Indonesia. Japanese customs and financial regulations were too onerous for such a venture to operate in Tokyo. "We found Singapore was a much freer business environment for this kind of operation," said Sumitomo.

Customers would send an Internet message to the new service, requesting sale or purchase of a traded item and indicating volume and price. A matching partner would be found, again via the Internet, and the deal executed electronically.

The system will greatly reduce the time needed for goods to clear customs. It will use a standard electronic data interchange package to handle documentation such as contracts, package lists and certificates of origin. Initially, the venture will clear peyments itself, but that function will later be handed over to Japanese banks.



N Korean defector causes stir

By John Burton in Seoul

A senior adviser to North Korean leader Kim Jong-il yesterday became the highest ranking Pyongyang official ever to seek asylum in South Korea.

Mr Hwang Jang-yop, who is one of the 25 most important officials in Pyongyang, sought asylum at the South Korean embassy in Beijing while returning to North Korea from a visit to Japan.

The surprise defection represented a propaganda coup for Seoul and a useful distraction from the South Korean government's mounting political prohlems over the Hanbo Steel loan scandal.

Officials in Seoul last night were urging the public to rally behind the government by claiming that Mr Hwang's defection suggested that North Korea was close to collapse.

Mr Hwang is known as one of North Korea's top ideologues and a roving overseas ambassador in his role as secretary for foreign affairs of the ruling Workers' party. No reason was given for his defection. But analysts speculated that be may have decided to defect after his recent mission to Japan to seek food aid and closer ties with Tokyo failed.

Although Mr Hwang is credited with playing a leading role in shaping the policy of *Juche*, an ultra-nationalistic creed that promotes self-sufficiency, analysts believe that he had been recently adopting a more flexible attitude to the outside world as North Korea's economic troubles increased.

Mr Hwang, 73, defected with an assistant, Mr Kim Dok-hong, who is based in Beijing and heads a company that exports North Korean workers to overseas projects.

The defections came four days before the 55th birthday of Mr Kim Jong-il. He is expected to use the occasion to prepare for his assumption of the posts of president and party general secretary this year. Mr Kim would succeed his father, Kim Il-sung, who died in 1994.

A North Korean representative in Tokyo denied that Mr Hwang was seeking asylum hut instead was on his way back to Pyongyang.

The defection has placed China in an awkward position since Beijing, mindful of its traditional friendship with Pyongyang, osually refuses to allow North Koreans to escape directly to South Korea.

Mr Yoo Choog-ha, the Sonth Korean foreign minister, cancelled a visit to Singapore for a meeting of European and south-east Asian officials to concentrate on diplomatic efforts to bring Mr Hwang to Seoul.

CORRECTION

Hanbo Steel

Mr Chung Jae-chul, a senior MP in South Korea's ruling party, who was arrested this week in connection with the Hanbo Steel loan scandal, is a former president of Hanil Bank and not of Korea First Bank as reported on February 11.

HK pension plan hangs in the balance

By John Ridding in Hong Kong

Hong Kong's planned compulsory pension scheme is hanging in the balance amid increased resistance from legislators, time pressures ahead of July's transfer of sovereignty to China, and speculation that pro-China political parties might opt for an alternative.

Mr Rafael Hui, secretary for financial services, admitted yesterday a crucial vote next week by the full finance committee was "too close to call".

Rejection of tbe Mandatory Provident Fund (MPF), as the pension scheme is known, would be a setback to the administration's plans to boost the financial sector.

The government bas championed the scheme as a means of providing retirement benefits for the territory's ageing population and of strengthening its financial services industry through an expansion of fund management and related businesses. According to government estimates, tbe MPF would add an estimated HK$30bn to HK$40bn (US$3.9bn-US$5.2bn) a year to the territory's pensions industry.

Mr Stepben Pang, principal executive officer at the MPF office, said failure in next week's vote would make it impossible to continue with preparations for the scheme.

The government stands a better chance in the full finance committee than it did in a suh-committee where it suffered a setback last month. The sub-committee is dominated by the Democratic Party, long-standing opponents of the scheme and advocates of e stronger public sector role in pensions management. But the government's task has been made more difficult by a shift among grass-roots pro-China groups which withdrew support for the scheme in last month's vote.

The new stance by members of the Federation of Trade Unions and the Democratic Alliance for the Betterment of Hong Kong has raised speculetion that China might be pushing for an alternative scheme, similar to the Singaporean model, in which the government plays a strong management role.

This so-called Centralised Providant Fund has been rejected as inefficient by the Hong Kong government and at odds with the territory's free market principles.

Mr Hui said Chinese officials had been fully informed about plans and dismissed the notion that Beijing was pushing an alternative.

"There is not a China angle. A centralised scheme with greater government involvement is anathema to them," he said. "Their main concern is that the Hong Kong government must not incur an unsustainable burden."

In an attempt to sway legislators, the government is examining demands for changes to its proposals. Mr Hui indicated flexibility on calls for a stronger supervisory body.

However, he warned of the economic distortions which would arise from the Democrats' demand for tighter limits on the proportion of assets held in foreign currencies. The party is proposing the maximum be reduced to 50 per cent of the total from a planned 70 per cent.

Even if the government does secure backing for the MPF, it faces a race against time to implement legislation before tha transfer of sovereignty on July 1.

India opens up coal mining to avert threatened shortfall

By Mark Nicholson in New Delhi

India plans sweeping reforms of coal mining, opening it up to private investors – including foreign companies – and moving towards ending price and distribution cootrols.

It is also seeking $1hn from the World Bank to help restructure Coal India Limited (CIL), the huge state corporation that dominates the sector.

The reforms, which aim to stimulate coal exploration and increased investment in the industry, are aimed at averting a feared shortfall in coal supplies, in particular for the under-performing power station sector.

But the moves to free prices and to restructure CIL could meet political and trade union opposition.

The plans – announced by the coal minister, Ms Kanti Singh – will require parliamentary approval. They will begin to unwind the 1973 natinnalisation of India's coal industry, the world's third biggest after China and the US and India's most important energy industry.

More than 70 per cent of India's coal output, which reached 273m tonnes last year, goes to the power sector. The rest is mainly for cement and steel making.

Under the reforms, private Indian companies will be allowed to bid for coal and lignite exploration blocks, mine any discovered reserves and sell coal at prices which the government said would be fully deregulated after January 2000. Up to now, private coal mining has been allowed only for a few captive coal users.

Foreign companies will be able to take equity stakes of up to 50 per cent in private Indian coal companies, subject to approval from the government's foreign investment promotion board.

Ms Singh said a new regulatory body would be set up to encourage coal exploration and allocate mining blocks in competitive bidding rounds. Price controls on soft coke and on one grade of non-coking coal were deregulated with immediate effect, the rest awaiting full deregulation in 2000.

She said the deregulation, fruit of a 2¼-year governmeot study, was necessary to prevent the forecast shortfall in coal supplies. The government estimates that coal demand from the power industry alone will rise from 215m tonnes this year to 350m tonnes in 2001 and 500m tonnes by 2006.

The Tata Energy Research Institute in Delhi expects power-led demand for coal to reach 650m tonnes by 2010. "There's no way you can reach that level of production unless you have new investmeot immediately," said Mr Rajendra Pachauri, the institute's director.

"There are large areas which have yet to be touched," said Mr Pachauri, who added that Australian and US mining groups, in particular, had been hovering in the hope of some deregulation of India's coal sector.

Bnt Mr Pachauri said it was uncertain wbether the government would be politically able to deregulate coal prices fully by 2000. He added that moves to restructure CIL, a giant state corporation with 650,000 employees, was likely to meet stiff resistance from powerful coal mining unions and from political parties in coal states such as Bihar, Orissa and Madhya Pradesh.

He and other analysts said much would depend on the government's even-handedness in allocating territory for exploration bids.

They feared CIL might hinder a fully competitive bidding process; a similar problem had occurred in partial oil and gas deregulation.

ASIA-PACIFIC NEWS DIGEST

Tokyo warns on N-bullets

Mr Seiroku Kajiyama, Japan's government spokesman, yesterday warned that the inadvertent firing of radioactive bullets by US marine aircraft near Okinawa would open "fissures" in US-Japan relations. The warning came as Tokyo and Washington came under intense public criticism in Japan for their delay in announcing the accident. The incident took place just over a year ago during an air force exercise over an uninhabited islet near Okinawa, the largest US military base in east Asia. Mr Ryutaro Hashimoto, the prime minister, moved quickly to defuse the row by issuing an apology.

US officials justified their initial decision to say nothing on tha grounds that the uranium-tipped bullets – used for piercing steel plate – posed no health risks to the island population. Radioactive bullets were mistakenly used because they had been mislabelled, said US officials.

The upset comes at a sensitive tima, just as renewal is being prepared for 3,000 lease agreements between Okinawan landowners and the US military, due to expire in mid-May. *William Dawkins, Tokyo*

Papers reveal Bofors 'proof'

Indian investigators into 10-year-old allegations of corruption in the award of a $1.3bn artillery contract to Bofors, the Swedish arms maker, say they have found proof that "payments" were made by Bofors to several individuals. They include Mr Ottavio Quattrochi, an Italian businessman and reported friend of the late Mr Rajiv Gandhi, prime minister at the time of the deal.

The investigators said payments to a total of five individuals were identified in 500 pages of bank documents handed over to India last month by the Swiss government, after a seven-year hold-up in Swiss courts.

They said the bank account documents "named" Mr Quattrochi, a former executive in India with Snamprogetti, the Italian engineering group, whose alleged close association with Mr Gandhi has been widely reported by Indian politicians and in the press. Officials said four others, Mr Win Chadha, Bofors' Indian agent at the tima of the 1986 deal, and three of his family members, were also named. *Mark Nicholson, New Delhi*

China assails market rumours

China's stock market authorities yesterday fiercely criticised one of the country'e leading brokerages for "spreading political rumours". The China Securities Regulatory Commission said Jiangsu Securities had spread rumours picked up from the foreign media last November. The stern intervention signals a determination that China's notoriously speculative stock markets should not stray into speculation on political developments in Beijing.

The CSRC said Jiangsu Securities had learnt of the rumours through its computer network and passed it on to other traders. The nature of the rumours was not disclosed but in China the phrase typically refers to speculation about the health of the country's leaders or a government policy turn-round *James Harding, Shanghai*

Japanese rocket success

Japan's ambitious space research programme received a boost yesterday with the launch of a rocket carrying a radio telescope satellite that officials describe as the largest astronomical instrument ever built.

The launch of the Mu-5 rocket, one of the largest solid-fuel models to be built, was originally scheduled for last September but was postponed by technical problems.

The radio telescope is designed to investigate the age of the universe.

The radio telescope satellite is part of an international project. Among foreign institutes involved are US, European and Australian space research teams. The new-series Mu-5 rocket, developed by Japan, is expected to play s central role in launching future research missions to the moon and planets. *Gwen Robinson, Tokyo*

Rifkind attacks Burma regime

Mr Malcom Rifkind, UK foreign secretary, yesterday said Burma's military government was a "nasty, dictatorial regime", as the European Union and the Association of South-east Asian Nations (Asean) began talks likely to be clouded by Rangoon's abuse of buman rights.

Differences of perception towards Burma are the biggest obstacle to deeper ties between the EU and Asean. Asean pursues a policy of "constructive engagement" towards Burma but the EU wants it to apply pressure on Rangoon to reform. The issue is likely to dominate the two-day EU-Asean meetings starting in Singapore tomorrow. *James Kynge, Singapore*

Indonesian tycoon plays influential role

Manuela Saragosa on the rise of the first family's 'good uncle' with timber and mining interests

In Indonesia, Mr Mohamad "Bob" Hasan needs no introduction. A recent pbotograph in local papers pictured a laughing Mr Hasan next to a smiling President Suharto. Both wore golf attire and matching caps, fresh from one of their regular early morning rounds of golf in south Jakarta.

Mr Hasan had every reasun to look pleased. In a country where political connections can make or break a contract, many business empires have partnered with the presidential children.

But Mr Hasan is one step ahead. Besides his sbared investments with the president's children in timber, oil, airlines and commodities, be has direct ties with the president, as a troubleshooter and trusted investment adviser, analysts say.

As head of Nusantara Ampera Bakti (Nusamba), widely viewed as a presidential investment vehicle because of its affiliation to three foundations linked to President Suharto, Mr Hasan has heen in the limelight repeatedly during the past four months.

In October, be co-ordinated Nusamba's acquisition of a 10 per cent stake in Indonesia's biggest car manufacturer, Astra International, wben the company seemed at the centre of a hattle for majority control between business tycoons. Through Nusamha, Mr Hasan now beads a larger consortium of investors who collectively own almost 50 per cent of Astra shares.

In January Nusamba bought an indirect stake in Freeport Indonesia, which operates one of the world's richest gold mines in Irian Jaya (the former West New Guinea). It is still unclear whether that acquisition was related to Nusamba's moves in January to take control of two companies which have a minority stake in the Busang gold deposit in east Kalimantan, believed to be the world's richest.

President Suharto (right) shows off his catch with his friend 'Bob' Hasan

Reuter

Mr Hasan is now seen as the key player in a wrangle involving international mining companies and two of President Suharto's children for a government contract to develop the deposit. "After the passing of Ibu Tien [President Suharto's wife and close confidanta who died in April last year], Hasan has started playing the role of the good uncle who mediates hetween the cbildren's conflicts," explains Mr Christianto Wibisono of Pusat Data Bisnis Indooesia, a consultancy in Jakarta. "It's an influential role."

But the Hasan-Suharto friendship dates back to the 1950s, when the president was a regional military commander in central Java. At the time, the then Colonel Suharto was serving under General Gatoto Subroto, regarded as the adoptive father of Mr Hasan.

Today, Mr Hasan's small frame and impish looks belie the power and authority he wields among the business community. By his own count, Mr Hasan now owns "hundreds of companies" with interests ranging from forestry and construction to insurance and banking.

The heart of his business empire, bowever, is in the forestry sector. Making his first foray into the timber business in the early 1970s, Mr Hasan now heads Apkindo, the Indonesian plywood association, and is said to run single-handedly a sector which ranks as one of Indonesia's largest foreign exchange earners.

Like most of Indonesis's husiness tycoons, Mr Hasan is of Chinese ethnic origin, a delicate issue in a country where commercial domination by the ethnic Chinese is resented. But unllke other ethnic Chinese tycoons, Mr Hasan has turned his back on his roots.

The son of a clove cigarette trader, he has changed his name from The Kian Sang, converted to Islam, and a few years ago joined Mr Suharto on his pilgrimage to Mecca. This may have eodeared him to the president, a practising Moslem, but not to Indonesia's ethnic Chinese community. Mr Hasan has attacked ethnic Chioese-owned conglomerates for not contributing more to the Indonesian economy and be is said to make s point of employing few ethnic Chinese staff.

"He's always blaming the Chinese," says an ethnic Chinese businessman. "He is the most powerful businessman here. But be is not a real businessman. He just gets all the protection from the old man [Mr Suharto]."

Few, however, would dare cballeoge tbe 65-year-old, described by those wbo have dealt witb him as brash, aggressive and an ardent nationalist.

Last year, Putra Sumber Utama Timber, a timber company, had to postpone its initial public offering wben Apkindo (read: Mr Hasan) withdrew the company's export licence. An affiliate company controlled by Putra Sumber's majority shareholders was exporting plywood to China at below Apkindo's set price.

The controversy does not end there. Mr Hasan also enraged world environmentalists two years ago wben be sponsored an advertisement aired around the world which defended the country's track record on forest preservation.

The advertisement featured shots of a lush jungle teeming with animals known to be teetering on the edge of extinction in Indonesia. "We want tbe world to know we care about our forests," he said in an interview at the time. Environmentalists did not believe this and, faced with a barrage of complaints, a number of broadcasters pulled the advertisement.

More recently, Mr Hasan has liked to portray himself as semi-retired, spending more time with the big love of his life: sport. Already an established patron of sports in Indonesia, he is also a member of the International Olympic Committee and heads the Indonesian branch of the Duke of Edinburgh awards.

"These are my businesses. My industries are my hobbles," he said in an interview two years ago.

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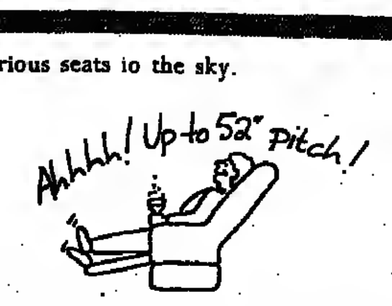

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Rivals to talk same smartcard language

By Paul Taylor in London

Schlumberger and Gemplus, the two companies which dominata tha rapidly expanding market for so-called smartcards, yesterday agreed to adopt the Java programming language as the common underlying standard for their products.

Smartcards – plastic cards which contain a microprocessor chip – are used in digital GSM telephones, pay television set-top boxes and increasingly for electronic commerce and other applications such as identity verification and delivery of government services snch as social security benefits.

Last year an estimated 200m smartcards were issued worldwide, a figure which is projected to grow to more than 1bn within five years.

The agreement hetween the two French companies, which together account for about 70 per cent of the market for memory and intelligent smartcards, is seen as an important step towards expanding the market for the technology. By ensuring their cards edhere to the Jeva Card standard, developed by the smartcard manufacturers in conjunction with Sun Microsyatem's JavaSoft subsidiary, the two competitors hope to stimulate development of applications for the technology.

The egreement meens smartcard applications developed for Gemplus cards will run oo a Schlumberger card and vice versa. "This is a very important agreement for the industry," said Mr Jérôme Traisnel, marketing manager for Schlumberger's electronic transactions division, "it is a further indication of the maturing of the smartcard market."

Both Schlumberger and Gemplus have already developed Java-based smartcards, Cyberflex and JCOS1 respectively. They are now inviting other smartcard makers to join the recently formed Java Card Forum which will oversee the standard.

Israelis in monetary policy clash

By Judy Dempsey in Jerusalem

Frenkel: tough on deficit

The Bank of Israel and the finance ministry are on a collision course over how to tackle the budget deficit, which was unexpectedly high last month at Shk1.3bn ($390m).

The bank wants immediate tough measures to curb government spending, while the finance ministry is demanding the bank loosen mooetary policy. It says this is unrealistically tight, is hampering exports and is maintaining an overvalned shekel.

The ministry says it is too early to say bow last month's high deficit will affect the year's total but there is concern that the government's attempts to cut the deficit from 4.7 per cent of gross domestic product in 1996 to 2.8 per cent of GDP this year could be put off course.

It has already set this year's total budget deficit at Shk9.7bn after Mr Benjamin Netanyahu, the prime minister, maneged to push through cuts of Shk7.2bn in the 1997 budget.

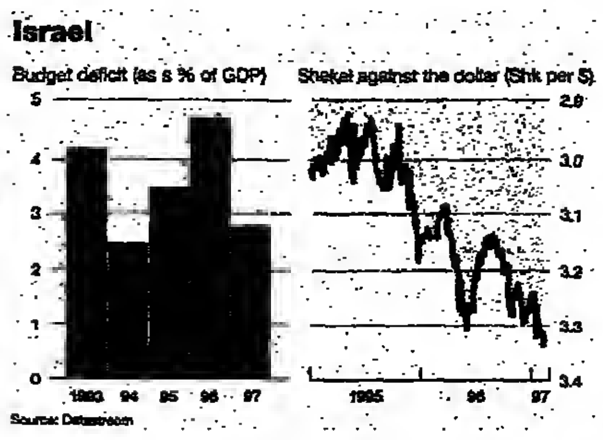
These cuts encouraged the Bank of Israel to continue reducing interest rates but not at the price of compromising its tight monetary policy aimed at curbing inflation, running at 10.5 per cent a year, and still considerably ebove the 1993 level of 8.1 per cent.

Mr Jacob Frenkel, the Bank of Israel governor, indicated as much this week when he said interest rates would not fall sharply unless the deficit remained on target. The key lending rate is currently 14.2 per cent. The bank also called on the government to take immediate steps to get the deficit under control instead of waiting until April for any further expenditure cuts.

But Mr David Brodet, director general of tbe finance ministry, argued that the bank's interest rate policy was not only out of line with inflation; it was keeping the shekel overvalued, which in turn hit exports.

Mr Brodet also warned that the bank's tough monetary policy could be one of the contributing factors in the slowing down of the economy. "Maybe this year's growth in GDP will be closer to 3 per cent rather than 4 per cent," be said.

As if to confirm this, the central bureau of statistics yesterday reported that GDP during the fourth quarter of last year grew et an annual rate of 3 per cent, significantly lower than government forecasts of nearly 4 per cent.



Source: Datastream

The Bank of Israel appears determined to maintain its monetary policy. But there is growing criticism by the finance ministry over the way in which high interest rates are attracting large amounts of foreign currency.

This has had the effect of keeping the shekel overvalued, a persistent complaint of tha business community, particularly exporters, although the recent strength of the US dollar has provided some reprieve.

Furthermore, it has also forced the central bank to inject liquidity into the economy in a bid to prevent the basket of foreign currencies, to which the shekel is pegged, from slipping below its lowest band. According to the finance ministry and bankers, last month the Bank of Israel injected at least $1bn, more than last year's total amount, to prop up the shekel.

The shekel is allowed to fluctuate in a trading band of 7 per cent above or below a diagonal line. This allows the bank to devalue the currency et a rate of 6 per cent e year against the basket of currencies althongh the bank has resisted all calls for e devaluation.

"The bank does not seem to be putting the emphasis on striking a balance between the interest rate and the exchange rate, which are negatively affecting our exports," said Mr Brodet. "We need to address this problem."

The signs for the business community are not reassuring. "Our policy is and will remain focused on curbing inflation," e Bank of Israel official said. "It is still too high – like the budget deficit. We do not inteod to switch track now. We do not see a viable option."

Dates set for elections in Algeria

By Roula Khalaf in London

Algerian President Liamine Zeroual has named May 29 or June 5 as detes for the first round of legislative elections.

In meetings with opposition leaders this week, the parties agreed to set up e working group to prepare for an independent commission to monitor the elections.

The poll will be held more than five years after the army cancelled elections the Islamic Salvation Front (FIS) was set to win, sparking e violent struggle which so far has cost more than 50,000 lives.

The FIS will not take part in the elections, casting doubt on whether they can contribute to a resolntion of the Algerian conflict. The army-hacked government has now ruled out any negotiations with the FIS and continues to insist on eradicating armed Islamic groups through the use of force. The limits of tbe government's stretegy, however, were made apparent in recent weeks, as massacres and bomb explosions became daily events in Algiers and towns south of the capital.

But the elections are the cornerstone of Mr Zeroual's policy of remoulding Algeria's political scene into e system which has the facade of a democracy but where the presidency, and the army hehind it, retain control. They will be held one and a half years after Mr Zeroual, a former army general, won a landslide victory in presidential elections. They also follow last November's referendum on amending the Algerian constitution. The amendments expanded presidential powers and diluted those of the national assembly by creating a second chamber of parliament with one third of members appointed by the president. The new constitution also officially hanned parties based on religion, although moderate Islamist parties will simply alter their names and programmes and take part in the elections.

Mr Zeroual bas already invited observers from the United Nations, the Organisation of African Unity, and the Arab League to monitor the legisletive elections. How many will show up will depend on the level of violence in Algeria at the time.

Observers were not invited to last November's referendum on amending the Algerian constitution and opposition parties disputed the overwhelming victory claimed hy the government.

Hamas, the legal Islamist party, said yesterday it had asked the president to include observers from various parliaments, including the European parliament.

The party has also asked for changes in the laws to allow its own representatives to observe the voting in polling stetions and the counting of the ballots. Another main demand is for security forces to stay out of polling stations to reduce the potential for pressure oo voters.

"We are convinced that if the elections are held in transparency, they can have e positive effect on the situation and help pave the way to peace," says a Hamas official yesterday.

The Socialist Forces Front (FFS), a main secular party, steyed away from this week's talks which it considers to be aimed at ratifying decisions that the government has already taken. The FFS joined other opposition leaders recently in calling for a real dialogue with all the political forces to find a peaceful solution to the conflict.

● Algerian security forces launched hand-held rockets at an apartment building in central Algiers yesterday, killing at least three people, AP reported from Algiers. The government did not confirm the attack.

INTERNATIONAL NEWS DIGEST

Call for more women as MPs

Fewer than 12 per cent of tha world's parliamentarians are women, according to the latest survey by the Geneva-based Inter-Parliamentary Union. Stressing that all except the Nordic countries "conduct politica in a way that excludes nearly half of their human resources and talents," the IPU urges political parties to maka greater efforts to involve women in political affairs.

Sweden, where women make up 40 per cent of MPs, heads the rankings, followed by Norway, Finland and Denmark. The US is oear the everage (11.7 per cent), while Britain ranks 50th (9.5 per cent) out of 179. The average for Arab countries is 3.3 per cent; 10 nations, including Kuwait, Papua New Guinea, Tonga and the United Arab Emirates, have no women in parliament.

The IPU survey, released ahead of a conference in New Delhi on women in politics, notes that the highest-ever proportion of women in parliament (15 per cent) was reached in 1988 when communist governments and one-party states ensured the selection of many unopposed women candidates. *Frances Williams, Geneva*

Global works council planned

A worldwide consultative works council is to be created by unions to represent 200,000 employees of United Parcel Services, the US-owned global package and courier operator, it was announced in London yesterday. The newly formed body is seeking recognition from the company and negotiation of e global code of corporate conduct and social responsibility to cover UPS's worldwide operations. Union officials from 11 countries have drawn up the plan under the aegis of the International Transport Workers' Federation.

The main initiative for the new organisation comes from the US Teamsters Union which represents the company's US employees. Union leaders said their priorities were to ensure recognition in all its business operations; an end to sub-contracting and outsourcing of work; bealth and safety protection for UPS employees in handling heavy packages; and the setting up of internationally accepted human rights standards guaranteeing freedom from intrusive surveillance and searches at work.

The unions plan an "international day of union action" later this year in their campaign to win the company's backing for the council. *Robert Taylor, Employment Editor*

Bomb shakes Lagos district

At least five soldiers and a number of civilians were injured yesterday in a bomb explosion in Lagos, Nigeria's commercial capital. It was the fourth attack in the city since December. No credible claim of responsibility has been made but the military-led government has blamed previous blasts on radical opposition groups.

General Sani Abacha, who seized power after the army annulled presidential elections in 1993, last month accused the National Democratic Coalition (Nadeco) and others of working with foreign powers to use terror to disrupt plans to return the country to civilian rula. One western diplomat described the charge as "ludicrous".

Mr Abubakar Tsav, Lagos police chief, said yesterday's device was identical to those in previons bombings. All have targeted military personnel in rush-hour attacks in the city's Ikeja district. The intention seems to have been to cause injury rather than death. Nadeco denies involvement. *Antony Goldman, Lagos*

SIEMENS NIXDORF

PÜTZ

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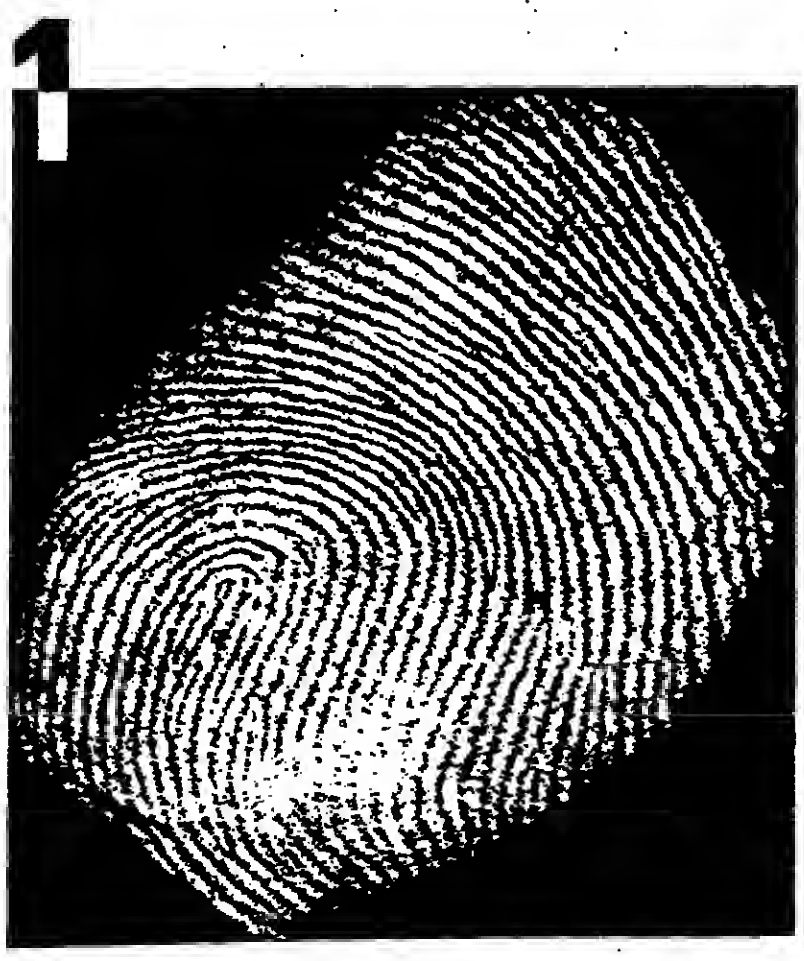

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3

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Leading Conservative Eurosceptic says shareholders should ask 'tough questions'

Unilever chief walks into Emu row

By John Kampfner and Roderick Oram

Unilever, the Anglo-Dutch consumer goods group, was last night embroiled in a row with Eurosceptic Conservatives after Mr John Redwood, a former challenger for the party leadership, suggested shareholders should confront the chairman over his support for European monetary union.

Mr Redwood, a leading Eurosceptic, accused Mr Niall FitzGerald, chairman of the UK arm of the group, of "playing politics at the shareholder interest".

Mr FitzGerald said on Tuesday that the UK should participate fully in the European debate on Emu or risk losing the benefits of the European single market.

"Reflecting the concern of many in business that tha economic case for the single currency is in danger of being swamped by the political debate, Mr FitzGerald has frequently given voice to the need to get monetary union right." the company added yesterday.

Mr FitzGerald, who chairs the European affairs committee of the Confederation of British Industry, the British employers group, was articulating the company's position on Emu, Unilever said.

Several Conservatives were dismayed at Mr FitzGerald's comments, but Mr Redwood went a stage further. In a statement which his office also faxed to Mr FitzGerald's, Mr Redwood said: "Unilever shareholders should ask Mr FitzGerald a few tough questions when tha company next meets." He demanded to know whether it would be in the company's interests "if Britain had been pegged to the D-Mark".

The government's formal response was led by Mr Kenneth Clarke, the finance minister, who has reluctantly fallan into line with the latest position that UK entry into the first wave of monetary union in January is highly unlikely but not impossible.

Mr Clarke repeated the cabinet lina that Britain will "negotiate and decide".

"I think Niall FitzGerald also supports our position – keeping our options open, keeping involved in the debate and making a decision in due course in British interests," Mr Clarke said. "My guess is that Mr FitzGerald would be as critical as me at any attempt to rush into a single currency with non-convergent economies."

On Tuesday, Mr FitzGerald said the UK's failure to be a founder member of Emu was not necessarily damaging as long as the UK remained engaged in the European debate and moved towards eventual membership.

But if the UK began to drop out of the single market and "drifted off into the Atlantic", serious issues would arise for companies. The single market was improving the competitiveness of European companies and underpins growth of the European market.

Sega still riding virtual reality trail

By Robert Wright

The craft swoops low over the city and banks steeply round the skyscraper. Tha loud speaker barks instructions in an American accent: "Watch out in front of you!" "You've gone too low – increase altitude!"

As the craft crashes through an office building and bursts out of the other side, it all feels terrifyingly real – at least, the air sickness it induces does.

The mostly young customers on the Space Mission ride in the £45m ($73m) Sega World amusement park, in the Pepsi Trocadero, at London's Piccadilly Circus, spin their heads behind the virtual reality visors they are wearing, desperately searching for the spacecraft they know are on their tail. Their seats rock wildly.

To look at them brings to mind the question that many in the highly faddish world of electronic entertainment are asking: is virtual reality really cool any more?

Sega, the Japanese economics giant which built Sega World, which opened in September, certainly seem to think there is still mileage in the concept.

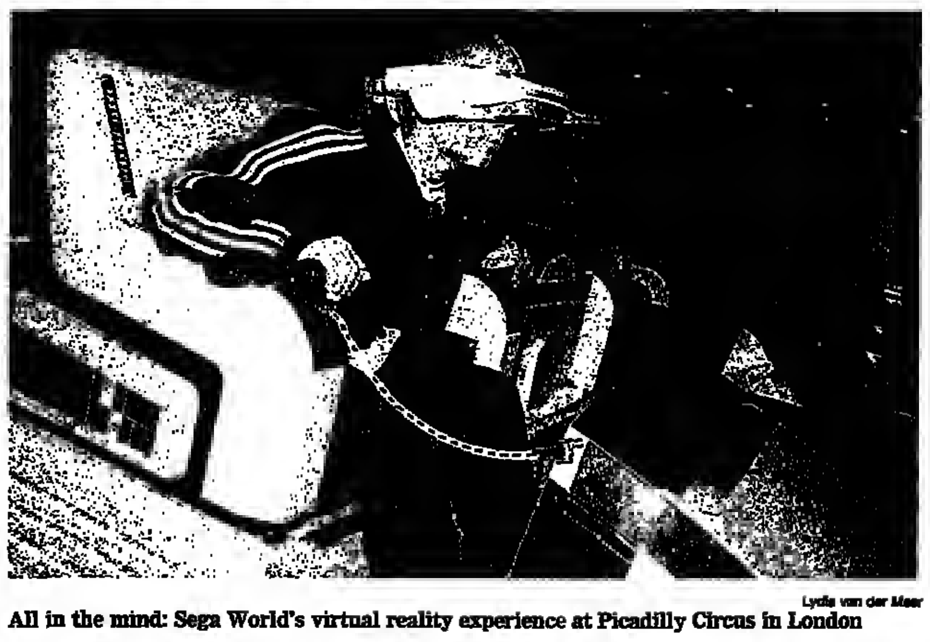
Saga and Mitsubishi Heavy Industries announced yesterday that they plan to work together on high-tech amusement centres, an area which saw improvement for Sega in tha last financial year at a time when home game sales profits fell off.

But others are more sceptical. Mr Paul Davies, editor of Computer and Video Games magazine, said: "I suppose five or six years ago it was a real novelty, people saying, 'You have to try it; it's really weird.' But, just wandering around the larger arcades now, it seems like a really touristy thing to do."

A quick sample of those paying £3 on top of £2 admission charge for the five-minute space mission ride revealed some of Mr Davies' hunches to be correct.

According to Mr Davies, the trend is coming, as often in electronics, from the small companies sector. Cybercafes, which offer internet access along with games, offer more mature players the chance to play longer games without a head set and with a coffee and, sometimes, a licensed bar.

Only a few blocks away from the Trocadero in London's New Oxford Street is the popular Shoot 'n' Surf cafe, which was opened in July for an outlay of just £150,000.



Lydia van der Meer

All in the mind: Sega World's virtual reality experience at Picadilly Circus in London

Sega-MHI link, Page 17

Sales of recorded music rise 6%

By Alice Rawsthorn

Sales of recorded music continued to grow in the UK last year when the rest of the world music market was virtually static.

The British Phonographic Industry, which represents the UK's record companies, estimates that retail sales of singlas and albnms, recorded on cassettes, vinyl and compact discs, reached £1.08bn ($1.76bn) during 1996, an increase of 6 per cent compared with 1995.

The UK's record companies fared better than their counterparts in other countries, notably the US, France and Germany, during 1996. PolyGram, the world's largest music group, yesterday announced a slight fall in pre-tax profits for 1996.

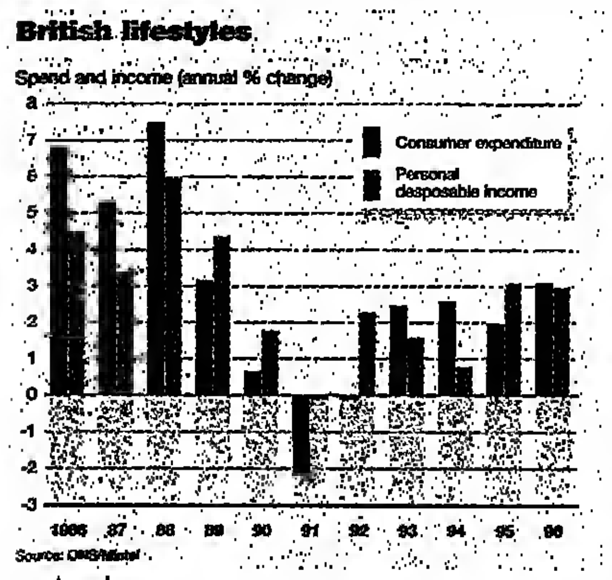
The UK music market did not emerge unscathed from the global slowdown. Last year's 6 per cent growth was significantly lower than the 11 per cent increase in record sales during 1995, when retail sales passed £1bn for the first time. Profit margins came under pressure across the music market.

The growth in valne sales lagged behind volume for albums and singles because of price discounting by specialist record chains and supermarkets.

Pressura on profitability was most acute in the singles sector, where record companies make discounts on the wholesale price.

The most successful UK act worldwide last year was Oasis, which sold more than 17m copies of its first two albums. Young UK acts, such as Kula Shaker and Dodgy, also fared well.

The UK's success has prompted Japanese group Sony to strike a distribution deal with Independiente, a new UK record label founded by Mr Andy Macdonald, whose previons signings include Gabrielle.



Shoppers spend more on small indulgences

By Alison Smith, Marketing Correspondent

The UK has become the home of inconspicuous consumption, as consumers increasingly spend money on small indulgences rather than single, expensive items, according to Mintel, the market intelligence specialist.

Mintel's annual report on British lifestyles shows that expenditure on items such as ready-cooked meals, magazines, visits to the cinema and compact discs has risen faster than overall consumer spending during the past five years.

Consumers are more inclined to spend but they are wary about buying expensive, single items such as holidays or furniture, the report says. It puts this down to a combination of signs of recovery and worries about job insecurity.

People "buy indulgence products as rewards for being financially prudent or to cheer themselves up after a bad day", the report says.

The relative decline in the proportion of personal wealth represented by home ownership – from 40 per cent of net personal wealth 10 years ago to just over 25 per cent now – has also contributed to consumers' caution.

But Mintel suggests that repeated small-scale spending on indulgences may be the equivalent of buying a single high-ticket item – although consumers are not aware of this.

The survey says this may be why spending has generally been growing faster than income.

In three of the last four years, the percentage rise in consumer spending has been bigger than the percentage rise in personal disposable income – household income after tax and national insurance payments.

Comparing expenditure in 1996 with the previous year, the survey says that wealthier consumers are becoming more confident, demonstrated by the fact that the greatest proportional increase in spending was on boats, aircraft and caravans. This rose by just more than one fifth, to £2.8bn ($4.5bn).

Spending on the cinema was also up by about one fifth to £450m. Mintel says this increase was partly because people saw an evening out at the cinema as a minor indulgence.

During the past decade as a whole, the survey identifies the fastest-growing areas as those that have benefited from a widening gap between rich and poor, notably domestic and garden help and educational fees. It says the domestic service market is now worth more than £4bn.

It also highlights the growth in insurance and long-term financial services since 1986, although much of this increase was in the 1980s. Sales of life assurance and pensions, for example, have fallen in the first half of the 1990s.

While spending by men and women is still sharply divided – for example more men are responsible for washing the car with women shopping more heavily at supermarkets – Mintel says that evidence from people who do not yet have families is that this division will diminish.

It expects this to take some time but suggests companies that are faster in addressing "unisex consumerism" may do better as the customer base changes.

Labour set to ambush agriculture minister

By James Blitz and John Kampfner

The opposition Labour party will next week step up its pre-election attack on the government by tabling a motion of no confidence in Mr Douglas Hogg, the agriculture minister.

The motion, which would seek to censure the minister for failing to achieve a lifting of the European Union ban on international sales of British beef, is to be moved in the House of Commons on Monday. If passed, Labour believes it would trigger his resignation.

Labour is tabling the motion under rules which allow it to stage a number of debates on snbjects of its choice each year. Formally, the motion will propose a reduction in Mr Hogg's salary because of his handling of the crisis. Labour strategists believe they may get support from Northern Ireland Unionist MPs. Labour has pressed Mr Hogg to seek a partial lifting of the beef ban in Northern Ireland. But Mr Hogg insisted any repeal must cover the whole UK.

There was speculation at Westminster last night that if tha opposition was to secure Mr Hogg's downfall, Labour might then move on to a motion of no confidence in the government.

Mr Tony Blair, the party leader, is under pressure to stage such a vote, which would bring down the government if it succeeded. However, senior Labour officials played down the possibility of such a move.

The announcement of the censure vote coincided with heightened speculation over when Mr John Major, the prime minister, would fix a date for the general election. He is expected to decide this waek whether to hold the general election on March 20 or stick with the original timetable of May 1. April 10 has now been ruled out because party strategists have dismissed the supposed advantages of an election during the student holidays.

Party officials last night sought to dampen speculation about the imminence of an announcement, saying they were still awaiting data on the likely outcome of the Wirral Sonth by-elaction, scheduled for February 27. One said: "The view seems to be that there is a level of defeat in Wirral that we cannot sustain, and any decision on the general election is likely to be based on that."

'No legal block' to windfall tax

By David Wighton, Political Correspondent

The opposition Labour party's plans to impose a windfall tax on privatised ntilities to finance solutions to youth and long-term unemployment would hit a wide range of companies, it emerged last night.

Last month, a Conservative think-tank published a paper by a leading lawyer which argued that Labour's proposals could be challenged in the European court. But this is dismissed in a new joint opinion by Mr Michael Beloff, another senior lawyer, and Mr Rabinder Singh, of which Labour released extracts last night.

Mr Gordon Brown, the Labour party's finance spokesman, will today undarlina Labour's confidence in their legal opinion on the tax which states that any legal challenges made under European Union or the European Convention of Human Rights would fail.

In a speech on unemployment, Mr Brown will say the estimated £5bn ($8bn) proceeds of the tax are essential to tackling the problems of youth and long-term unemployment. He will warn that without such action Britain could follow the US "with no work in no-go inner city areas plagued by lawlessness".

The party has not revealed the details of its plans publicly, but the legal opinion shows that the tax net would extend well beyond the water and electricity companies.

Although companies such as British Telecommunications and BAA, the airport operator, argue strenuously that they have not made windfall profits, analysts have become convinced that they would be included in a broadly-based tax. Opinions differ widely on how the levy would be shared between the companies.

Labour has indicated that the tax would reflect the underpricing of companies on flotation, subaeqnent weak regulation and exploitation of monopoly market positions. This suggests that BT, which operates in a competitive market, might pay proportionately less than the regional electricity and water companies.

Banks accused of deserting deprived areas

As branch closures gather pace, a report warns the economies of many communities are at risk

A bank branch in a community closes. Customers have to travel further to get their money; the elderly and less mobile have trouble arranging loans; shopkeepers daily face a greater risk of being robbed on the longer trip to deposit cash.

In the US, a local bank branch is considered a legal right. Under the Community Reinvestment Act of 1977, banks must provide services to all parts of a designated business area, including low and moderate income neighbourhoods.

However, according to a report, Financial Exclusion in London, poorer areas of the city are likely to suffer from an increasing number of bank branch closures.

Closing a bank branch "is like pulling the plug on the local economy," says Mr Ed Mayo, co-author of the report from the New Economics Foundation. He says businesses are less likely to locate to an area without a bank branch, and in such areas it is more difficult to obtain funding for local regeneration initiatives.

Figures from the British Bankers Association show that the Barclays and Midland groups have reduced the number of their UK branches by a third in recent years, while Lloyds and National Westminster banks have cut their networks by a third since the 1970s.

Many more people will suffer the effects of branch closure before 2000. Competition from demutualising building societies, supermarkets and telephone banking are all putting pressure on the branch networks of high street banks.

While several banks argue that telephone and computer banking can replace the branch visit, for the poor this is not the case. First Direct, the leading telephone banking operation owned by Midland Bank, admits that the largest proportion of its customers come from the AB socio-economic sector, the highest income level.

In London between 1990 and 1995, 271 – or 20 per cent – of bank branches closed. According to the foundation's report, more than a third of London areas have no local bank branches.

Moreover, the distribution of the remaining branches is skewed towards the wealthier areas. While no evidence of "redlining" – the US term for the way banks have been known to draw a "red line" around areas they refuse to lend to – was found in London, the report says: "If 'redlining' is understood to be a conscious or unconscious policy of discrimination on grounds of deprivation, there is a clear case for the industry to answer."

Banks argue that branches are an outdated form of serving their customers. "You do not need to walk into a branch to gain access to important financial services," says Mr Nigel Pettinger, head of network design at NatWest UK. He says the bank, which last year announced the decision to close 200 branches over the next five years, is increasing tha number of automatic teller machines it installs in outlets such as rail stations and shopping centres.

But Mr Mayo says many of the needs of low income households are not met by ATMs or the "cashback" facilities of supermarkets. Most customers still feel safer depositing money in a branch and arranging credit or mortgages face to face with a bank representative.

Business in the Community, the non-profit group which encourages companies to become socially and economically involved in their communities, sponsors the Local Investment Fund, which provides loans to local organisations in areas of need.

"Our fund is designed to address the needs in tha country, not to sit with a portfolio of safe loans," says Mr Andrew Robinson of LIF. "But we are also saying that if you go back to these deprived areas there are deals that the banks could do."

While the LIF represents a socially responsible means of addressing the banking needs of financially deprived communities, the NEF says that more action is necessary. "Tha answer to the problems created by closing bank branches is not necessarily to open them back up," says Mr Mayo. "But banks need to help find new solutions with new technologies that make it financially viable for banks to stay in tha poor communities."

Motoko Rich

UK NEWS DIGEST

Interest rate rise rejected

Mr Kenneth Clarke, the chancellor of the exchequer, yesterday rebutted calls by the Bank of England, the UK central bank, for a modest increase in interest rates, insisting he would not take steps to slow down the UK's economic recovery. The comments came as figures showed growth gathered momentum last month as unemployment fell to its lowest level for more than six years and earnings rose at the fastest rate since February 1993.

In its latest quarterly inflation report, the Bank warned that the government would miss its inflation target of 2.5 per cent in two years if interest rates remained at current levels. It forecast that by the end of 1998 underlying inflation – which excludes mortgage interest payments – would be "close to 3 per cent and rising". Mr Mervyn King, the Bank's chief economist, refused to specify how big an increase in base rates the Bank wanted to see.

In December, Mr Eddie George, the Bank governor, called for an immediate quarter point increase in rates from their present 6 per cent. He said then that if rates did not rise he would demand a half point increase early this year. But Mr Clarke said yesterday that Mr George had "actually slightly modified and toned down his advice since the December meeting we had and we are only one quarter of 1 per cent apart". *Graham Bowley*

■ PENSIONS SURVEY

Half of adults 'face hardship'

More than half the adults in most regions of Britain – about 17m people – face financial hardship when they retire, according to a survey published yesterday.

Mr Daniel Godfrey of investment manager Flemings, which commissioned tha survey from research company Mintel, said: "We have defined financial hardship as retiring on less than 40 per cent of final earnings. In today's terms, 40 per cent of average earnings in Greater London would only be around £8,200 ($13,366)."

The findings prompted renewed calls for the government to make pensions contributions compulsory for working people. "This is further evidence that people do not look ahead," said Ms Ruth Lea, head of the policy unit of the Institute of Directors, the employers' organisation. "If tha government is serious about lifting the burden of care costs that it will create for the taxpayer, it must introduce compulsory pensions." *Jonathan Guthrie*

■ ARTHUR ANDERSEN RULING

Government suffers setback

The government has suffered a setback in its 12-year legal struggle with Arthur Andersen over its role as auditors of the collapsed car company De Lorean, which was based in Belfast, Northern Ireland. A US federal judge has dismissed the UK claims – but added that they can be resubmitted in a state court.

Between 1978 and 1981, the UK government invested £70m ($114m) in US financier John De Lorean's venture to build a gull-winged sports car in Belfast. Tha company collapsed in 1982 with the loss of 2,000 jobs and in 1985 the UK government sued Arthur Andersen in tha US courts alleging conspiracy, fraud and negligence in auditing the company. Andersen'a said the judgment vindicated its position. *Jim Kelly*

■ CONCORDE PROMOTION

BA offer attracts 30m phone calls

More than 30m telephone calls were made in three hours on Tuesday night when British Airways offered flights to New York on Concorde for £10 ($16.30) to celebrate the 10th anniversary of the airline's privatisation.

But although the dialling binge was being hailed by BA as a marketing coup, a telecommunications expert pointed out that the 30m calls probably came from 2m to 3m peopla pressing their redial buttons repeatedly. A return trip to New York on Concorde normally costs £5,400. *Maggie Urry*

■ ROYAL AIR FORCE

Combat role 'affected by cuts'

The Royal Air Force is danger of failing to meet its combat roles because of cuts introduced by the Ministry of Defence, according to a television programme to be broadcast tonight.

Aircraft are frequently unavailable and many pilots are flying insufficient training sorties, according to the *Dispatches* programme, because cuts in the RAF's support operations mean there are not enough spare parts to keep combat jets airworthy.

The worst problems are associated with RAF Tornado fighters and bombers, which suffered from a shortage of engines because insufficient spares had been retained in stock. The Ministry of Defence said it would respond when the programme had been broadcast. *Bernard Gray*

■ ELECTRONIC SHARE TRADING

Predicted volume 'normal'

Fewer than half the trades in FT-SE 100 shares by value are likely to be executed on the electronic order book that is due to start operating in October, officials of the London Stock Exchange predicted yesterday.

Mr Richard Kilsby, the exchange's market services director, told the House of Commons Treasury committee that he expected "between 40 and 50 per cent by value" of trades to go through the book, with large block trades accounting for tha rest.

Mr Kilsby said it was normal for fewer than half the trades by value to pass through order books on other exchanges. He said that some 30 per cent of trades by value were done on Frankfurt's Ibis electronic trading book. *John Gapper*

Cinema/Nigel Andrews

Variety night at Elsinore Palais

HAMLET
Kenneth Branagh

IN LOVE AND WAR
Richard Attenborough

FIERCE CREATURES
Robert Young and Fred Schepisi

SHE'S THE ONE
Edward Burns

Something is rotten in *the state of Zenda*. In the wedding cake palace filled with gilded courtiers, the dashing prince with the fleur-de-lys moustache and beard (Kenneth Branagh) smoulders with batred of the usurper king (Derek Jacobi) who has stolen away his father, his mother (Julie Christie) and his throne.

Soon he is seeking belp from across the *showbiz globe*. Jack Lemmon, Gerard Depardieu, John Mills, Billy Crystal as tha Gravedigger and Ken Dodd as Yorick (sic) come to his aid. And by *curtain-time he is swinging* – this Ruritanian Tarzan, this Hamlet of Hentzau – from the chandelier, wbile more guest stars (Robin Williams, Richard Attenborough) open more surprise doors onto the polished parquet. It is like variety night at the Elsinore Palais.

Bravery points sbould perhaps go to this four-hour *Hamlet*, banging together the heads of Anthony Hope and William Shakespeare and filmed in a story-book Blenheim Palace cluttered with celebrities. But the populism that served so well in Branagh's *Much Ado About Nothing* runs out of oxygen in this text's claustrophobic corridors, and there are swift, severe signs of brain damage.

Darkness seems to be anathema to this director. So the ghost-watching scenes are a travelling huddle of well-lit faces barking out reams of uncut exposition – the ears glaze over before the eyes. And though the ghost himself is better, a livid-eyed spectre prone to leave smoking fissures in the earth, this brief taste of gothic is wasbed away by more megawatt rococo as the film's first balf carouses on through madness, conspiracy and soliloquy as if they were party pieces at an overlong Halloween.

Tha interval comes 2¾ hours in, with "How all occasions" brayed out by Branagh on a wide-screen battlefield as if it wera "Once more unto the breach." And in part two we kill off more characters, while fearing that for every slain movia star Branagh has the purse and perversity to sign up a new one. (What *is* Attenborough doing, dressed up like some periodised Lord Bafta, in that last scene?)

There are one or two good performances. Jacobi's finely-spoken Claudius pings like best crystalware, a villain whose ringing, boyish plausibility offers echo and reflection to Hamlet's own. Kate Winslet knits Ophelia's tattered *passions into a harrowing* quilt of madness. And Branagh's prince, though never quite finding the depth and rhythm of greatness, excels in the antic scenes.

But there is so much silliness. It may be innovative to make Polonius (Richard Briers) a sleazy, scheming womaniser, but does that fit with his addled, sententious garrulity? Can a man be both fool and knave? And as for the guest stars, God save us from Reynaldos who speak with indecipherable accents (Depardieu) or from a gravedigger (Crystal) who is so busy trying to choose between Brooklyn and Bermoodsey for his brogue that be forgets to be funny. In sum, this is a *Hamlet* for mail-order classics illustrated readers. Everyone else will stamp it "Return to Zenda."

★

From his more accustomed position behind the camera, Richard Attenborough brings us *In Love And War*. This first world war love story *has* nice scenery and performances. But I doubt that these would make us care were *we not strong-armed* into atteotion, as in Lord A's recent *Shodowlands*, by the film's portrayal of true-life VIP protagonists. Here they ara, tbe young Eroest Hemingway and Agnes Vou Kirowsky, the Red Cross nurse be loved in Italy and later transformed into Catherine Barkley in *A Farewell To Arms*.

Wa may not care anyway. As played by Chris O'Doonell, *"Ernie" is a puppyish 18-year-old* who might have bounded from any American locker room. And though Sandra Bullock wears ber unique nimbus of rapt wariness and wry humour, we never believe that this Po valley Florence Nightingale has a real history or identity either.

Outside the hospital where our war correspoodent hero rests his wounded leg, Attenborough's Italy is a thing of tourist brochure clichés: the photogenic peasant scything a field in a bucolic long shot, the apartment of the Italian doctor who is Hemingway's love rival which overlooks, yes, the Venice Grand Canal. And wben one long scene ou a balcony of the hospital is played against a visibly, kitschily painted townscape we know where we are: oot Italy in the 19-teens but Hollywood in the 1950s, circa *Three Coins In The Fountain*.

★

Man was born free, but everywbere be is in sequels. In *Fierce Creatures*, alias *A Fish Called Wanda Part 2*, it is hard to tell which are the true caged animals, those on two legs or those oo four. John Cleese, Jamie Lee Curtis, Kevin Kline and Michael Palin, coerced by the tyranny of success, reunite as two Brits and two Americans trying to run an English zoo taken over by a vulgar Australian tycoon (Kline 2, whiskering up as Kline 1's father).

The cacophony of accents make it sound like feeding time at the Shepperton bestiary. Co-writers *Cleese* and *Iain Johnstone* tour the cages, pushing comic lines and comic business through the bars, while the sctors try to ape the first film's happy brand of mathematical maybem.

Creotures is funnier than advance reports auggested: it would almost have to be. Cleese's zoo manager, constantly caught in imaginary *flagrante delicto* with women or sbeep or marmosets, is matched for photogenic frenzy by Kline junior's parricidal yuppie. And Curtis is a vivacious, *sporty* foil.

But time and rewrites have made the plot seem more a colleclioo of loose ends than a paradigm of comic logic. And some loose ends *already* show their age. "Sylvester Stallone didn't get wbere he is today by appearing in Jane Austen," declaims Cleese in defence of his violent-animals-only conservation policy. Unfortunately, Jane is in romping form at the box office right now while Sylvester is beading for the Hollywood glue factory.

The week's best film is *She's The One*: a charmer from writer-director-actor *Edward Burns*, who wittily took the lid off Irish-Catholic New York in *The Brothers McMullen*. Burns plays Mickey, a fuzzy-mannered young cabbie who drifts into sudden marriage with a beautiful student (Maxine Bahns). But the film's real ceutral relstionship is the three-way bond betweeo him, his rectally retentive Wall Street brother Francis (*McMullen*'s Mike McGlone, very funny) and their father (John Mahoney), a citified, not to say certified, redneck forever *giving* advice that fouls up his sons' lives.

There is funny byplay with vibrators, boats and the algebra of sexual coincidence (Francis is two-*timing* his wife with Mickey's ex-fiancée). But the wit is less in the film's props or plot points than in the pixilated timing of scenes of bewilderment. When *Mickey* tells his piety-spouting father, "You don't *even* believe in God," be snaps back, "Doesn't mean you stop being a good Catholic." Logic plays no part in a family, or a society, or a religion, where you are brought up to believe *first* and *ask* questions later.

Julie Christia and Kenneth Branagh: a 'Hamlet' for mail-order illustrated classics readers

Theatre

Molière's problem hero

In 1662 Molière scored his first sneeess at writing potent comedy, beyond clever *farces* and *satires*, with *The School for Wives*. It was still half-farce – the aspect that Peter Hall has underlined in his new production: mostly stock characters, *familiarly ludicrous* situations, a sudden, miraculous *dénouement* in the crazy G&S manner.

At the Piccadilly Theatre, all these *are reasonably funny*. Besides, Hall has brought in Eric Sykes as a household servant, and urged him on to any number of irrelevant sight-gags; Molière, *himself* an *ex-farceur*, *might* have beeu quite happy about that – or perhaps not. There is nothing catch-as-catch-can about the structure of his play, brilliantly *compounded* from three old stories with a signal change of focus.

The basic story was about the elderly guardian of a young *female person*, *intending* her for his bride but foiled at last by a romantic young man. Another was about a similar chap who raised his ward in unworldly *innocence* so *as to* make her impervious to worldly seduction, and thereby guaranteed his own cuckolding. The third offered a comic situation in which an *illicit lover continually confides* in a friend – unbeknownst to him, the betrayed husband. That strand, at least, Hall plays to the hilt.

Gillian Kearney acts the innocent ward Agnès with demure naturalness, before she discovers the real world and Love. Her secret swain is Daniel Betts: not the faultlessly pretty and well-spoken youth who would take this role at the Comédie Française, but a wry, intelligent, spirited *jolie-laide* with nasal vowels. Peter Bowles' hero, or anti-hero, Arnolphe is a problem.

Molière wrote that role for himself, at 40. Half the point of the comedy was to turn the lubricious elderly guardian of the old tale, *and* the chap who calls down cuckoldry upon himself, into the ordinary bourgeois, middle-aged Parisian Arnolpbe – lika most of the males in Molière's audience. The other half was to transform him from the bntt of the comedy to its *anguished first-person subject*.

But it is already 41 years since Bowles made his Old Vic debut (in *Romeo and Juliet*); inevitably, his Arnolphe seems an elderly loser with absurd pretensions, rather than an anxious, lusty, still-hopeful cynic. From the start his elaborately mannered airs convey gross *amour-propre*, not the vulnerability of a man who is on the brink of being past it. Bowles *captures* nicely the embarrassments of a competitor much too late; but that reduces the comedy to its earlier and less interesting basis, without the timelessly worrying overtones.

The show is excellently swift (just two hours long), and everybody in it gets time to score his or her own theatrical points. Ranjit Bolt's translation is a curate's egg: it veers glibly between archaic language, florid period-isms old and new, mock-trendy slang and jarring epithets – other peopla are referred to as sods, pricks, herks, twats and *shits*, bnt *little to* do with Molière. None of that carries much dramatic punch; it plays loosely with the original text, but adds nothing to it.

David Murray

Ballet in Paris/Clement Crisp

Beauty with a grandiose look

The Sleeping Beauty has had a chequered history at the Paris Opera. I recall *stagings* improbable *and* even risible – not least the one which lookad like a protracted and hideously expensive advertisement for eye-shadow. *Among the most significant* achievements of Rudolf Nureyev's reign over the ballet was his decision to make the Russian classics a vital part of *his* dancers' understanding. The results have been in the main splendid: his *Raymonda*, *Don Quixote* and *Bayadère* stand as testimony to this, and even his very personal view of *Casse Noisette* has enabled the Opéra *casts* to show their *dazzling* skills in happiest surroundings.

The Sleeping Beauty, which Nureyev revered, was a constant in his career. He made a succession of stagings over *two* decades, each more opulent than the last. In 1989 he staged it for the Opéra in Georgiadis designs. His view was not over-reverent, but he knew that the *contrast* betwean courtly manners and fairy enchantment was a strong *frame for* the *dance-glories that* Petipa had poured onto Tchaikovsky's score. One might disagree with certain cuts and elisions, and disagree even more with his insistence upon giving the Prince a series of solos in the hunting scene which are like a protracted and uninspiring ballet-class. But, in essence, this Nureyev version is a homage to academic dance, to Petipa, to the monarchic ideals which underpin the action and spirit of this greatest of ballets.

Now the staging has been redesigned by Ezio Frigerio and Franca Squarciapino, decorators *favoured by Nureyev. They have* produced a grand, intalligent look for the ballet. Frigerio has made a permanent baroque set of pillars – of the kind usual with *the Bibienas – which can adapt* from exterior to interior with added porticos or back-drops. It is *imposing*, right, *breathing* tbe world of Louis XIV's Versailles, which was Petipa's inspiration.

Squarciapino's costuming is sensitive, moving from the heyday of the Sun King's youth (the dress for courtiers and fairies is inspired by the designs made by Jean Berain for court ballets) to the age of Louis XVI, with more than a hint of Gainsborough in cut and even in material (those *sprigged skirts* that seem a forerunner of every mimsy Laura Ashley fabric that proclaims the glory of dowdiness).

There are a faw unhappy *moments*: the *hunt* and the vision scene have an oddly cursory air, with the Lilac Fairy as a token presence, and naiads dressed in gleaming green that is more panto than fantasy. But, given Nureyev's obsessive need to display the male dancer, and *his Leningrad taste for additions* and emeodations to a still-credible Petipa text, the staging is opuleot, vigorous. (How intriguing to compare the Kirov presen*tation*, where dances and dancers seem equally concerned with the ballet's central lightness of image and its spiritual dimension, with the Royal Ballet's version, which now *has* the air of national service in inimical territory, and with this revised Paris presentation in which the dancers are eager to display their delight in the challenges offered.)

The Paris cast, which I saw on Wednesday, is in the *main* very *fine*. The complexities tbat Nureyev brought into the prologue are done with *sparkle* – the Fairies are euchantingly and rightly individual – and the ritu*als of court behaviour*, the *sense* of hierarchy (thus did ballet mirror the world that sustained it), are clearly stated. I had expected to see Elisabeth Platel as Aurora: *she is one of* the *greatest* interpreters of the role that I know. Alas, cramp had atruck during tbe opening night, she was replaced by Karin Averty. A stalwart member of the company, Mlle Averty does not display tha qualities that I expect of an Aurora, and her reading, for all its vivacities, was not to my taste. Happily ber prince was Manuel Legris. Here is a prince among dancers. He went through the varied and thoroughly tiresome exercises that ha is set in the Hunting scene with a dedicated air. With the great pas de deux he *revealed* a *dashing ease*, an elegance of style, and a near-intoxication with the dance itself (nothing was beyond him; everything was ideal in shape and impetus) that spoke of superb artistry. The ballet lived.

Uuder Vello Pahn, the score sounded very well – though I deplore the cuts that are made – *and the* individual *soloists* were admirable, notably the violinist Frederic Laroque to wbom fell the lovely Panorama seqoence which Tcbaikovsky made for Leopold Auer. *In Paris*, as rarely elsewhere, *Beauty* was awake.

As a uote in passing, I record with pleasure that at Covent Garden last week, Belinda Hatley was a delightful Aurora (in much less favourable surroundings). There is a lightness and a spring to ber dancing, a nascent dignity, that give the role its heart as well as its charming dance identity. She is an Aurora in *the* best Royal Ballet traditions. *Alas*, most of the rest of the evening was not.

Sleeping Beauty is in repertory at *the Bastille throughout February* and March.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Thomas Quasthoff and Maria João Pires: the baritone and pianist perform works by Schubert; 8.15pm; Feb 15

JAZZ & BLUES
Bimhuis Tel: 31-20-6233373
● Meridian Arts Ensemble: performance by the American jazz ensemble with trumpet player Josef Burgstaller, horn player Daniel Grabois, trombonist Benjamin Herrington and percussionist *John Ferrari*; *9pm*; Feb 15

■ ANTWERP

EXHIBITION
Koninklijk Museum voor Schone Kunsten Antwerpen Tel: 32-3-2387809
● Het Volk ten *Voeten uit* – Naturalisme in België en Europa: *exhibition focusing* on naturalism in Belgium and other European countries. Representatives of this late 19th century art movement, characterised by accurate depictions of daily life, include Theodoor Verstraete, Jules Bastien-Lepage, Angelo Morbelli, Georges *Clausen and* Akseli Gallen-Kallela; to Feb 16

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Musica Antiqua Köln: with conductor Reinhard Goebel perform works by Zelenka; 7.30pm; Feb 16
Philharmonie & *Kammermusiksaal* Tel: 49-30-2614383
● Berliner Symphoniker: with conductor Andrey Boreyko perform works by Mozart, Ravel and Brahms; 4pm; Feb 16

EXHIBITION
Kupferstichkabinett Tel: 49-30-26629598
● Giovanni Battista Tiepolo und sein Atelier: exhibition celebrating the 300th anniversary of Tiepolo's birth and featuring some 60 *drawings and etchings* by the Venetian master. Also on display are some 40 works from Tiepolo'a workshop; to Mar 2

■ DRESDEN

EXHIBITION
Albertinum Tel: 49-351-49140
● *Das Zeitalter Tiepolos*: at the centre of this exhibition devoted to 18th century Venetian graphic art are works by Giovanni Battista Tiepolo, including his series "Scherzi di Fantasia" and "Vari Capricci". Other artists *represented include Giovanni* Battista Piranesi, Luca Carvelijs and Canaletto; to Feb 16

■ HANOVER

EXHIBITION
Sprengel Museum Tel: 49-511-1683875
● Marc Chagall: "Himmel und *Erde*": *exhibition of the artist'*a work selected from the museum's own collection, featuring 160 etchings, as well as paintings and lithographs; to Feb 16

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● Susan Gritton: performance by *the soprano, accompanied* by *the* mezzo-soprano Ruby Philogene and the pianist Roger Vignoles. The programme includes works by Brahms. Part of the Brahms Centenary celebrations; 6pm; Feb 16
Royal Festival Hall Tel: 44-171-9604242
● London Philharmonic Orchestra: with conductor Bramwell Tovey and pianist Bernard d'Ascoli perform works by Berlioz, Delibes, Ravel, Delius and Gershwin; *7.30pm*; Feb 14
St Martin-in-the-Fields Church *Tel: 44-171-9300089*
● London Concert Sinfonia: with conductor John Landor perform works by Vivaldi, Pachebel, Handel, Gluck, Giordano and Bach; 7.30pm; Feb 14
Wigmore Hall Tel: 44-171-9352141
● Takács Quartet: perform works *by Schubert. Soloists include* pianist Dénes Várjon and double bass-player Joseph Carver; 7.30pm; Feb 14

EXHIBITION
Courtauld Institute Galleries Tel: 44-171- 8732526
● The Art of Etching: an exploration of the art of etching *through works from the Courtauld* Gallery'e permanent collection, including pieces by Tiepolo, Piranesi and Canaletto; to May 25

■ MADRID

EXHIBITION
Fundación la Caixa Tel: 34-1-4354833
● Amelia Peláez, Frida Kahlo, Tarsila do Amaral: exhibition *showing the history of Modernism* and tha roots of contemporary art in South America through the work of three female artists: Amelia Peláez, Frida Kahlo and *Tarsila do Amaral. On display are* about 100 works; to Apr 27

■ MILAN

CONCERT
Teatro alla Scala di Milano Tel: 39-2-88791
● Edita Gruberova: performance by the *soprano accompanied* by pianist Friedrich Haider. The *programme* includes works by Mendelssohn, R. Strauss and Dvorák; 8pm; Feb 16

■ NEW YORK

EXHIBITION
***Cooper-Hewitt National Design* Museum** Tel: 1-212-860-6868
● *Mixing Messages: Graphic* Design in Contemporary Culture: exhibition focusing on innovation in American grahic design from 1980 to 1995. Highlights include a *video documenting* typography and the moving image, an interactive computer programme, and a CD-Rom display allowing visitors to experience publications *in sequence*; to Feb 16
International Center of Photography Tel: *1-212-860-1777*
● Written in Memory: Portraits of the Holocaust. Photographs by Jeffrey A. Wolin: exhibition of *portrait photographs of Holocaust* survivors. Wolin writes texts transcribed from interviews with the survivors *directly* on to the prints; from Feb 14 to Apr 20

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● La Forza del Destino: by Verdi. *Conducted by James Levine*, performed by the Metropolitan *Opera. Soloists include Deborah* Voigt and Luciano Pavarotti; 1.30pm; Feb 15

■ PARIS

CONCERT
Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
● Patrice Fontanarosa and Marielle Nordmann: the violinist and harpist perform works by Beethoven, Saint-Saëns and Dvorák; 11am; Feb 16

DANCE
***Théâtre National de l'Opéra* - Opéra Garnier** Tel: 33-1 42 66 50 22
● Ballet de l'Opéra National de Paris: perform "Ancient Airs and Dances" to music by Respighi, choreographed by Richard *Tanner*, "*Musings*" to *music* by Mozart, choreographed by James Kudelka and "Eja Mater" to music by Lemelin, choreographed by Jean Grand-Maître; 7.30pm; Feb 17, 18

EXHIBITION
Fondation Cartier pour l'Art Contemporain Tel: 33-1 42 18 56 50
● Double vie, doubla vue: exhibition featuring 150 works by 60 international photographers. Included are portraits of twins by artists such as Diane Arbus, Laura Samson-Rous, Imogen Cunningham and Pere Formiguera, as well as works by photographers working in pairs including Felten and Massinger and Aziz and Cucher; to Mar 16

■ STUTTGART

OPERA
Staatstheater Stuttgart Tel: 49-711-20320
● Boris Godunov: by Mussorgsky. Conducted by Gabriele Ferro and performed by the *Staatsoper Stuttgart*. *Soloists* include Burchuladze, Künzli and Iturralde; 7.30pm; Feb 14

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Economic Viewpoint · **Samuel Brittan**

Superpound and the euro

Kenneth Clarke is right not to raise interest rates, but joining the European single currency would – at a price – help ease future policy dilemmas

The determination of Mr Kenneth Clarke, the British chancellor, to reject official advice to increase interest rates was underlined when he declined an invitation to acquire a Labour party-linked credit card sent to his official residence at Number 11 Downing Street. He could not resist adding that his main concern was to make sure interest rates remained at "acceptable" levels. He feared the rate on the card could rise "very significantly" if the sponsors succeeded in their aim of returning a Labour government.

The respectable reaction in the financial world is that Mr Clarke is guided by political concerns in the run-up to an election. The hope is that this period will soon be over and that wise, puritanical advice will be taken in the late spring – whichever party wins.

A more appropriate reaction may be almost the opposite. It is that Mr Clarke has made the right economic decision, but he will suffer for it politically if an incoming Labour government proves more amenable to official advice and puts the blame on him for delaying an interest rate rise.

This is admittedly a reversal of the line I took some while ago when I supported (provisionally) the Bank of England in arguing for a base rate increase. But there has been no ideological U-turn on my part – simply the same "reaction function" facing a pound which has continued to soar with occasional pauses for breath. It has done so in spite of the repeated refusal of a base rate increase, the prospect of which was supposedly driving sterling upwards.

In fact even official advisers are divided. The Bank of England does not believe sterling's rise makes a decisive difference to the inflationary outlook. The Treasury believes it does, but that interest rates should still be raised to be on the safe side.

Both attitudes could change in the face of large and unexpected exchange rate movements. (It is difficult to believe the Bank would be so sanguine about sterling if the problem were a weak pound rather than a strong one.) Although sterling has this week come within a whisker of its DM2.778 lower limit when inside the exchange rate mechanism, it is arguable it is still just below the top of an acceptable range – and, while that lasts, it is putting useful downward pressure on inflation.

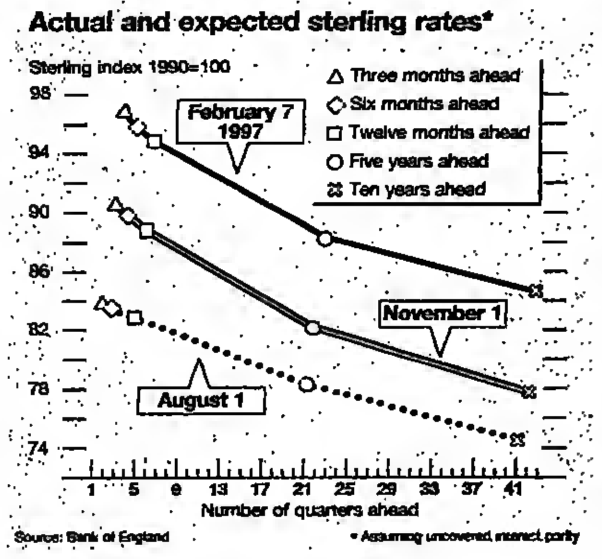
But should its rise go much further, as it easily could, the present lobby against a strong pound would become irresistible. Not only would the Bank have to stop asking for a base rate increase; it might have to acquiesce in some reduction.

Contrary to what the Bank argues, the impact of a stronger pound does not have to be temporary. For it not only puts downward pressure on import prices (as we have seen from the spectacularly good producer price indices), it also squeezes the market for exports and British goods competing against imports, and thus reduces the growth of demand in the UK. In so doing it also puts a damper on the so far very mild signs of pay acceleration about which the Bank expresses anxiety.

As a result, the National Institute of Economic and Social Research – now one of the most market-based forecasters – has cut its output growth prediction for 1997 from nearly 3¼ per cent to 2½ per cent. The latter is a rate only slightly – if at all – above the growth of productive capacity. And the National Institute, unlike the Bank, now believes there is a better than even chance of the official 2½ per cent inflation target being met in 1997 and 1998. It now neither predicts nor advocates a base rate increase.

But just as we have seen an unexpectedly steep rise in sterling, the future could bring unexpectedly steep falls. Should that happen, the unstated implication of the National Institute analysis is that base rates would have to be jerked up sharply as a substitute source of anti-inflationary pressure.

Actual and expected sterling rates*



Source: Bank of England

* Assuming uncovered interest parity

At present, short-term interest rate changes are the only real weapon policymakers have against undesired upward or downward movements in sterling. Although some economists hanker for a larger role for fiscal policy, this is much too cumbersome and slow-acting; even the direction of its influence on the exchange rate is intellectually uncertain.

The one apparent alternative to large and jerky movements in either exchange rates or interest rates – or both – would seem to be the absorption of sterling into a single European currency, assuming that option continues to exist. It was the stratospheric rise of sterling in the early 1980s which started the business lobby in favour of the ERM; similar movements now could spark off a movement in favour of economic and monetary union.

There are, however, no free lunches. The economic price to be paid for the abolition of runs into and out of a currency would be the establishment of a single structure of interest rates throughout Europe. Emu opponents say a single interest rate is not likely to be appropriate in the foreseeable future for countries with very different structures and subject to very different inflationary or deflationary pressures.

Such an interest rate would have to be based on some average of European conditions. This would mean interest rates would be judged too high by some countries' inflation rates and too low by others'. So any stimulus to UK consumer spending and domestic cost pressures produced by reducing interest rates independently would still be there if the reduction came about through a European central bank adapting to average member country conditions.

The example of the US shows that inflation rates can, and do, differ even in such a homogenous currency area. For instance, in the last US inflation peak of 1980, the Los Angeles Consumer Price Index rose by 15.8 per cent while New York's rose only 11.3 per cent. By 1996, the relative inflation rates of the two cities were reversed.

That is not, however, quite the end of the story. It is reasonable to regard these different inflation figures as local variations on a single US rate. The predominance of interstate commerce ensures that there can be no breakaway movement in which New York inflation soars ever higher above the national rate, while California plunges into deepening deflation.

There is no such assurance when there are separate central banks and national policies. If the Bank of England were to reduce base rates towards the German level of 3 per cent to contain sterling at a time when it is warning about double-digit growth rates for broad money, financial markets would certainly suspect the government had conveniently forgotten about inflation targets; and there would be no assurance they were wrong.

Thus the same UK base rate would have very different implications if it arose from the policy of an independent central bank with a price stability mandate to those it would have if it arose from sovereign British policymakers panicking in the face of a rising pound. The difference lies in the all-important realm of expectations.

There is something to be said for stating the stability case for the euro properly, without either ignorantly dismissing it or presenting it as a sort of black magic which would make real problems go away.

BOOK REVIEW · Tony Jackson

FROM PROMISE TO PERFORMANCE:
A Journey of Transformation at SmithKline Beecham
By Robert P. Bauman, Peter Jackson and Joanne T. Lawrence
Harvard Business School Press, $27.50, 320 pages

Prescriptions for a healthy merger

If managerial tasks were ranked by sheer awfulness, carrying out a merger of equals would probably come near the top. It offers none of the visceral appeal of a takeover: sackings, closures and the pocketing of the spoils. It calls for patience, compromise and the creation of a new culture. And since it is a one-off affair, the odds are nobody involved has done it before.

Unlike takeovers, true mergers are rarely in vogue. They are at present, but only in a few industries: banking, telecoms, pharmaceuticals, utilities. They have usually been prompted by government rule changes and deregulation.

The latest wave began eight years ago with the merger of two drugs companies: Beecham of the UK and the US's SmithKline. As an early response to attacks on healthcare costs, the deal has been widely copied. More remarkably, as measured by stockmarket performance, it seems to have worked.

This book is the work of three key figures in the merger: Bob Bauman, the chief executive, and the personnel and public relations bosses. It claims to be not a history, but a work on management; a text book, in fact, on the merger process.

As generally understood today, the mechanics of merger are: drawing up the new structure, deciding who will run it, setting its operational rules and defining the culture. The SmithKline Beecham merger included all those. It also became entwined with an issue occupying other companies at the time: that of process management, or re-engineering.

Less important was strategy, at least as conventionally understood. That had been thrashed out in the previous three years, from the point when Bauman was brought in as Beecham's chairman after the ousting of his predecessor, Sir Ronald Halstead.

As an outsider, Bauman spotted the fact that the drugs industry was headed for consolidation, and that Beecham had more drugs in development than it could handle. SmithKline, by contrast, was short of drugs and long on resources.

The strategic logic spoke for itself. The hard bit lay in creating a company to exploit it. In part, this meant erasing the traditions of two companies with 300 years of history between them.

An early step was getting rid of the old guard. Beecham's head of pharmaceuticals had left shortly before the merger. His opposite number at SmithKline soon followed. Within two years of SmithKline Beecham's creation, two-thirds of the combined senior management had vanished.

When mergers fail, it is often because those involved see the task as finite. SmithKline Beecham's success depended on continuously moving the goalposts: on forcing an exhausted and occasionally rebellious management to accept that however much had been done, there was always more to do.

The danger point for mergers, it seems, comes at the end of the first phase: the formal integration of the two companies, including plant closures and management appointments. The temptation is to stop there, rather than move on to what the authors call "the soft stuff": creating the new culture.

In SmithKline Beecham's case, much of this stuff sounds soft indeed. The culture was officially defined in terms of five values – being performance-driven, customer-orientated, innovative and so forth – and nine practices. The latter expressed the values in terms of employee behaviour: improving one's performance, rewarding others' achievements and so on.

Unsurprisingly, it proved difficult to persuade 50,000-odd employees to take this seriously. The breakthrough, it seems, came with a two-week trip to Japan by the 15-strong top management committee in 1992.

This seems to have been a daring departure in an industry little used to Japanese competition. What the team found struck them as revolutionary: the Japanese method of managing by process rather than function, forcing employees to see their jobs in relation to a set of corporate objectives.

Thus began the third phase: what others might call re-engineering, but here defined as the setting up of a management system to determine behaviour. After two years of this, the authors moved on: but their final assertion – or, perhaps, pious hope – is that the process of change has become permanent in the company.

If so, it is plain where the credit lies. Though the merger was billed as an Anglo-American venture, it was scarcely so in fact. The science may have been largely British, and the headquarters in London: but it was mostly Americans, from Bauman down, who had the energy and foresight to make it work. For a European, it is a faintly depressing conclusion.

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Département de l'économie publique
14, rue de l'Hôtel-de-Ville, P.O. Box 3952, 1211 Geneva 3, Switzerland.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Great deal of experience behind Chernobyl recommendation

From Professor John Surrey.

Sir, I wish to correct a couple of points in your article "Chernobyl closure plan hits snag" (February 8/9). The study to which you refer was carried out not by the Science Policy Research Unit but by an international panel of experts which I chaired. The panel contained a great deal of experience of running and regulating large electric utilities in the west, as well as expertise on energy economics in general and the economics of nuclear power in particular. We carried out an independent, impartial economic assessment of completing two partially built nuclear plants, as we were required to do. Since we were as keen as anyone else to see Chernobyl closed, our report suggested that the western loans for completing the two reactors should be made available instead for an alternative package of measures which the panel believes would provide significant economic benefits *for the Ukrainian* people.

Whether our report is "out of touch with the realities of life in Ukraine" is not for me to judge. The press will be in a much better position to make that judgment when our report is released by the European Commission, the European Bank for Reconstruction and Development and the US Department of State. Meanwhile, the figures at the end of your article show that Ukraine currently has about 85 per cent surplus generating capacity over winter peak demand: no new generating capacity is needed for many years.

What the Ukrainians are short of is cash to buy fuel for their existing plant. Resuming construction on two nuclear plants which *cannot make any contribution* to electricity supplies for more than three years will do nothing to solve this problem and, if it deflects resources from uses with a more immediate and better pay-off, may make things worse.

John Surrey,
Science Policy Research Unit,
Mantell Building,
University of Sussex,
Brighton BN1 9RF, UK

Cutting cost of capital

From Mr Jeremy Wagener.

Sir, For treasurers and others involved in raising equity finance in the UK, the costs of so doing have always been an issue. Concerns about whether these costs are inflated by particular market practices are now being more widely debated as the existing methods for raising shares come under review by the Office of Fair Trading for possible referral to the Monopolies and Mergers Commission.

The technical committee of The Association of Corporate Treasurers, which is currently examining the issues, supports the maintenance of pre-emption rights. We are pleased to see competition develop, which allows the full protection of pre-emption rights, whereby companies, depending on their size, experience and geographical focus, may be able to reduce the cost of their capital by employing different techniques – for example, by having underwriting commissions put out to tender or, perhaps, via a book-building exercise.

Jeremy Wagener,
director general,
The Association of Corporate Treasurers,
Ocean House,
10-12 Little Trinity Lane,
London EC4V 2AA, UK

Investment in employees offers value

From Mr John Monks.

Sir, The research by Linda Bilmes, Konrad Wetzker and Pascal Xhonneux (Management: "Value in human resources", February 10) showing a firm link between stock market performance and investment in employees is very significant, and deserves wide attention.

All too often in economic and political debate employee-related measures are considered a cost to business and a burden to competitiveness. The argument put forward by the Trades Union Congress that a motivated, secure and skilled workforce is the only basis on which to build business success is often rejected by those who insist that this is a luxury modern companies cannot afford.

Employees are *the* greatest asset of any company. This research shows that those that go beyond rhetoric and back up their words with practice are making a sound financial investment which will produce excellent returns.

John Monks,
general secretary,
Trades Union Congress,
Congress House,
Great Russell Street,
London WC1B 3LS, UK

Polish economy is still soaring after reforms

From Mr Grzegorz W. Kolodko.

Sir, You are right that my departure from the Polish government had been masterminded for some time ("Reformer picked as Polish finance chief" and "The eagle has landed", February 5), actually since last July, when my country joined the Organisation for Economic Co-operation and Development. However, it was still necessary to succeed with the implementation of the "Package 2000" programme, which happened in November, when parliament decreased taxes along the lines I proposed. Therefore, the economic ministries were reformed at the beginning of this year.

Ultimately, a reasonable budget for the election year has been adopted and the next programme, "Euro 2006", launched. You are right that President Aleksander Kwasniewski is the only person I listened to, although not when he asked me to stay longer as first deputy premier for the economy and finance minister. But you are wrong to say the Polish eagle has landed because it is still soaring and flying as high as ever before.

Actually inflation dropped during my term by 20 points (from 38 per cent in December 1993 to 18 per cent in January 1997) – not by 10 points, as you suggested. Gross domestic product expanded during the last three years by more than 20 per cent, while unemployment fell 3.5 points and investment soared 39 per cent. And more than $10bn of foreign direct investment has been absorbed – some $6bn in the last year alone.

But the biggest achievement of "strategy for Poland" is the fall in the ratio of public debt to GDP from 86 per cent in 1993 to as low as 49 per cent in 1997. So, I have returned to policy-orientated research since my aims have been completed and now I would like to take advantage of my *experience* to support the process of transition elsewhere.

Grzegorz W. Kolodko,
Sasakaw distinguished research professor in development policy,
World Institute for Development Economics Research,
United Nations University,
Katajanokanlaituri 6 B,
FIN-00160 Helsinki,
Finland

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The EU and Asian rights

Foreign ministers from the EU and the Association of South East Asian Nations (Asean) meet today in Singapore. On Saturday they will be joined by colleagues from China, Japan and South Korea, in the first regular meeting after last year's summit in Bangkok.

Europe's interest in contributing to and benefiting from the east Asian economic success story is obvious enough and is on the whole reciprocated. Some Asians are sceptical about how much Europe really has to offer economically, but even they generally wish to see Europe play some part in the region, so as not to leave the task of balancing China's rising power solely in the hands of the US. The two regions also have a common interest in helping to manage the global order, if only by co-ordinating attempts to influence the remaining superpower.

In seeking to go beyond these general feelings, European and Asian governments face two challenges. One is the difficulty of finding anything much on the economic front that they can do better together than in global forums such as the WTO. The other, which threatens especially to bedevil today's meeting with Asean, is contrasting attitudes to human rights.

On the whole both agree that human rights and trade are best kept separate. Asean states are entitled to complain that the Commission's recent threat to revoke Burma's tariff privileges, in protest against its alleged use of forced labour, deviates from that principle, contrasting sharply with the EU's position on trade with Cuba.

What they are not entitled to do, however, is to insist that human rights be kept off the agenda of today's meeting. The whole point of foreign ministers' meetings is to bring about a broader political dialogue, in which governments can exchange views, most of all perhaps on subjects where they disagree, *without* the disagreement affecting normal trading relations between their citizens.

European governments are by and large unpersuaded that economic sanctions are a good way to influence the behaviour of Burma's ruling junta; but they are equally unpersuaded that Asean's intention of admitting Burma as a full member is a good idea, so long as the junta refuses any dialogue with Ms Aung San Suu Kyi's democracy movement. Equally, Portugal cannot shrug off its responsibility for the fate of East Timor so long as Indonesia refuses to let the people of that territory express their views. Europeans do not necessarily expect to convince their Asean interlocutors on either point. But what is the point of a meeting like today's, if not to air such differences in a civilised atmosphere?

Ecuador's crisis

The origin and the apparent peaceful resolution of the presidential crisis in Ecuador have sent an important signal of how much Latin America has changed in the last decade.

The foolish antics of the unseated president, Mr Abdalá Bucaram, provided some good copy for journals around the world, but the reality for Ecuadoreans was much more serious.

In six months in office, Mr Bucaram had presided over an administration disfigured by gross corruption, nepotism and thuggery. Even in a country where pecuniary malfeasance is expected of governments, this raised widespread indignation.

Mr Bucaram, styling himself as the champion of the poor, campaigned and won the election on an unashamedly populist platform. Once in office, he performed an about-turn, announcing plans to peg Ecuador's currency to the dollar, sharp rises in fuel prices, and other austerity measures.

Most of the moves may have been desirable – Ecuador needs economic reform to generate growth – but Mr Bucaram made no attempt to explain why they were necessary, and did no groundwork to shape the expectations of the population.

The combination of the austerity he was pressing on the population and the profligacy of his government was explosive. When the people of Quito took to the streets, Congress seized the initiative and voted Mr Bucaram out of office on the grounds of insanity.

The role of the powerful armed forces in this process has been instructive. In the past, the military would have seized upon a crisis to take power. This time – though playing an important role behind the scenes as a mediator – it allowed the political process to take its course. Such restraint is welcome, and a sign of the new responsibility being shown by armed forces across Latin America.

The new president until 1998, Mr Fabián Alarcón, will not have an easy task, even if Mr Bucaram does not return to Ecuador to foment trouble. Government spending needs to be kept under control. If not, the economy will suffer either higher inflation, or recession. The people of Ecuador have already indicated what they think about price rises and privatisation.

Nonetheless, Ecuadoreans have rid themselves peacefully of a bad government. It is to be hoped that they do not expect to depose every president who takes an unpopular decision. But the episode may even make voters think twice in future and avoid candidates who make promises they cannot possibly fulfil.

UK rates

It was not a happy fourth birthday for the Bank of England's Inflation Report, released at 11.30 am yesterday. At that time, the doors of a packed conference room at the Bank were opened and the press were let out to tell the world the February report's conclusion: that the UK government will miss its 2½ per cent inflation target and that interest rates should therefore rise.

The timed release of this carefully argued document was to ensure that no reporter could misuse market sensitive information. But the Bank need not have bothered. Three hours earlier on BBC Radio's Today programme, Mr Kenneth Clarke, the chancellor, had spilled the beans in his breezy way. And the Bank was wrong, he added. Inflation was falling and interest rates need not rise.

This is no way for the chancellor to treat the Bank, especially as it might suggest that he is more interested in winning the next election than in UK inflation two years hence. The quarterly Inflation Report was established after the UK's humiliating fall from the European Exchange Rate mechanism in 1992.

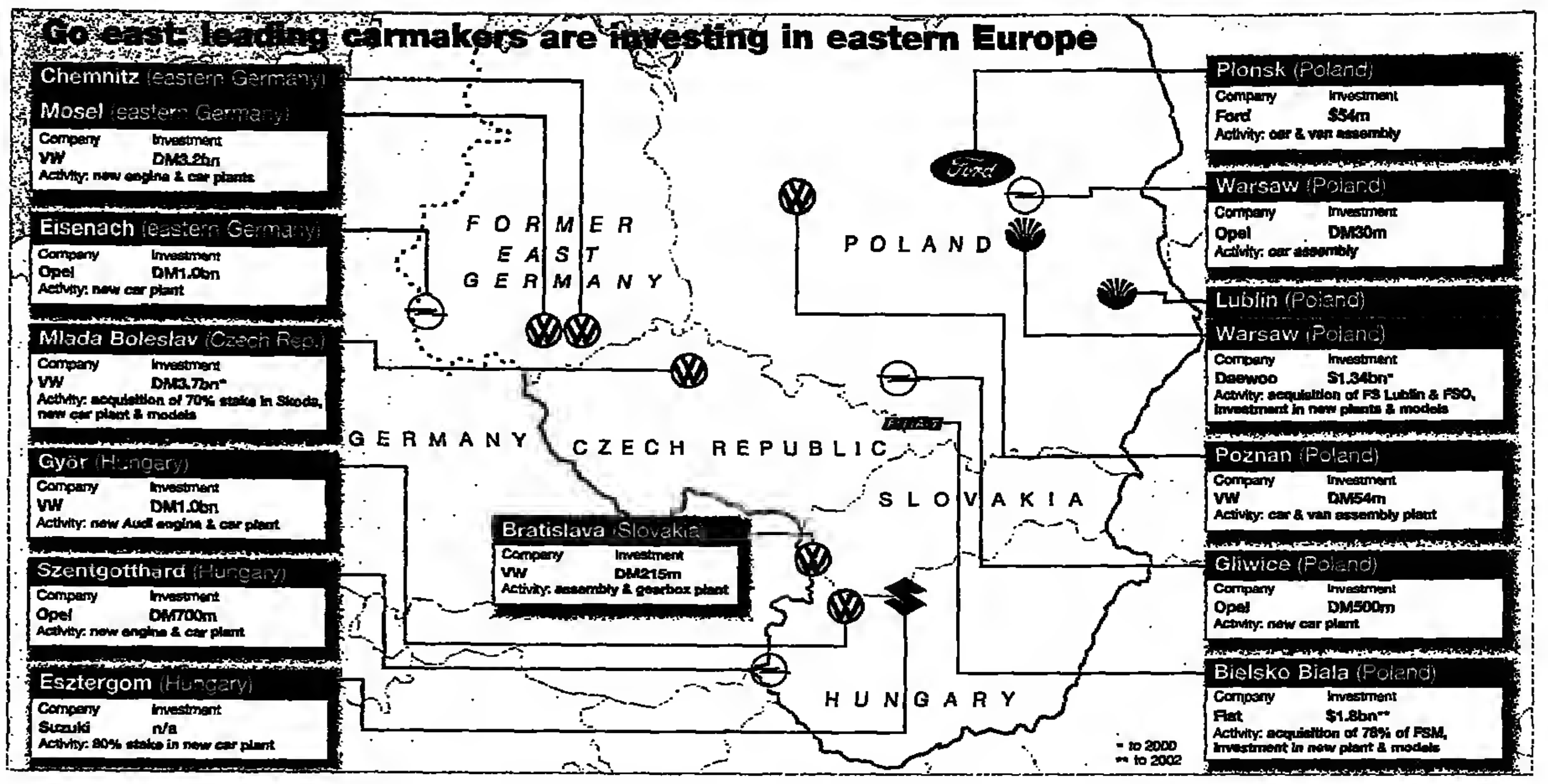
It was part of a necessary attempt to secure for the Bank a more independent role in setting monetary policy. It provides the analysis behind the views of Mr Eddie George, the Bank's governor, at his regular meetings with the chancellor.

This compromise between the Treasury's desire to keep control and the view that the Bank should be made more independent has a serious defect, which yesterday's events illustrated. The Bank is obliged to give careful reasons for its opinions. The chancellor can wave them aside in a wreath of cigar smoke, if he choses.

Yesterday's argument turns mainly on the question whether the 16 per cent rise in sterling since last summer provides a sufficient anti-inflationary jolt, while posing also a threat to industrial recovery. Mr Clarke presumably thinks so. But as he is not obliged to say whether Treasury officials agree with him or why, he must come under suspicion of being fogged by political make-believe.

The Bank, on the other side, may be suspected of shouting rather loudly to be heard among the electioneering cries. Yet it has pressed consistently for a moderate rise in rates, for which there are strong prudential arguments. If the Treasury is more worried about recovery, this should be explained carefully to the governor (and later made public in the minutes), not dropped casually into a radio interview.

The new arrangements after 1992 were intended to take some of the politics out of interest rate decisions. Yesterday's events strengthen the case for going further, towards full independence for the bank.



Into the east at full throttle

Low costs and fast growth are persuading some leading carmakers to open plants in central and eastern Europe, says **Haig Simonian**

Mr Peter Bognar, a 28-year-old maintenance engineer, earns the equivalent of DM700 (£250) a month at Audi's engine plant in Györ, western Hungary. In the Czech Republic to the north, Mrs Vaclava Burianková, a 48-year-old body-shop worker, takes home the equivalent of about DM650 at Skoda's car plant in Mlada Boleslav.

Both could make around eight times as much in Germany. Such huge disparities are one of the reasons why some of the world's leading car companies have invested in central and eastern Europe since the collapse of communism in the early 1990s.

"For west European carmakers, faced with near permanent overcapacity and low trend growth, the prospects in the east are too tempting to pass up," says Mr Simon Miller, automotive analyst at UBS Securities in London.

More than $8.9bn (£5.3bn) has been committed to new plants in the region in the past six years by the four biggest investors: Germany's Volkswagen; Adam Opel, the General Motors German subsidiary; Fiat of Italy; and South Korea's Daewoo. Spending by the less ambitious Suzuki of Japan and Ford of the US takes the total to more than $9bn.

Low pay is not the main reason why they have headed for central and eastern Europe. While investment grants and tax incentives have played a part, soaring demand on the back of generally buoyant economic growth has been the main draw when sales in traditional markets such as the US, western Europe and Japan have been sluggish.

The explosion in sales in the former East Germany shows the potential. Registrations exceeded 777,000 units in 1992 – the peak year of a post-reunification boom – compared with a fraction of that in the former German Democratic Republic. Although sales have fallen since, they have stabilised at about 600,000 units.

And although demand in Poland, Hungary, the Czech Republic and Slovakia has also been volatile, the trend has been decisively upwards. Poland – the biggest and most populous country in the region – was Europe's fastest growing car market last year. Sales jumped 41 per cent to 373,542 units, making it Europe's eighth biggest new car market, according to Samar, a local consultancy. Registrations should hit 450,000 by 2000, it reckons.

Sales in the Czech Republic reached 128,701 units in 1996 from 104,142 the previous year. In Hungary, sales have yet to exceed their peak of 90,000 units in 1994. But after collapsing to 68,800 following a government austerity package in 1995, registrations climbed last year and should reach 76,000 units in 1997.

Volkswagen, Europe's biggest carmaker, has led the investors into this new market. This has been partly the result of political pressure after reunification – the group is 20 per cent owned by the west German state government of Lower Saxony. It will have spent DM3.2bn on new car and engine plants in the former east Germany by 2000.

VW has also invested elsewhere in the region. It has allocated DM3.7bn to acquire and modernise Skoda, the Czech Republic's leading carmaker, by 2000. In Hungary, VW's Audi subsidiary expects to have spent DM1bn over the same period. More modestly, the group has also invested in Slovakia and Poland.

Opel has been almost as ambitious. It has ploughed DM500m into a showcase new "lean production" car factory at Eisenach in the former East Germany. The lessons learnt at Eisenach will be incorporated at the DM500m plant under construction in Poland, to supersede a DM30m assembly unit in Warsaw. A further DM700m has been invested to assemble cars and engines in Hungary.

Fiat and Daewoo have concentrated on Poland. The Italian company has spent $1bn on acquiring 80 per cent of FSM – now Poland's biggest carmaker. Another $800m is going into two new models by 2002.

Daewoo's ambitions are so big it has bought two Polish vehicle-makers since 1995. The largest, FSO, is being groomed to build a new generation of Daewoos now taking to the roads in Korea.

The boldness of these four carmakers contrasts with the caution of the other car companies. Although others concede that demand will eventually rise significantly, they are much more pessimistic about the immediate potential for sales growth.

Such arguments often disguise self-interest: many of the financially strapped European carmakers face overcapacity in their home countries. Many would prefer to export vehicles from their domestic plants rather than to build new factories in central and eastern Europe. They argue that it will be easier to export to the region once countries such as Poland and Hungary join the European Union and have to cut high tariffs on imports.

They also point out that the advantages of investing in low-wage economies are limited: pay accounts for no more than 10 per cent of the costs in a capital-intensive car plant; and wage levels are rising fast in these countries.

The big investors acknowledge salaries are climbing. But they say it will be years before they reach Spanish or UK levels, let alone those in western Germany. Even after reunification, pay in the former communist east is still 15-25 per cent below that in the west – and that ignores the more generous fringe benefits in the latter.

The big investors emphasise the importance of gaining an early foothold in these growing markets by establishing local plants. "A local presence is essential to building goodwill," says Mr Albert Lidauer, managing director of Opel Hungary.

However, Opel and VW expect their investments to serve a wider region than just the countries in which they are located. General Motors last month said its Hungarian operation would lead its push into the Balkans. Both companies also have their eyes on a bigger prize – the vast but still untapped markets of the former Soviet Union.

Meanwhile, Daewoo sees a double benefit in Poland: local production will provide a back-door to sales in western Europe if exports from Korea were ever threatened, as well as a bridgehead to the east.

And the evidence suggests the spoils will indeed go to local manufacturers. Opel has led Hungary's car market for the past five years, with more than 20 per cent of sales in 1996. Suzuki, another local manufacturer, came second with 19 per cent.

In Poland, Fiat took 42 per cent of sales last year. Together with Daewoo (26 per cent) and GM, the three biggest brands accounted for more than 75 per cent of sales in 1996.

Such data may explain why Toyota, Japan's biggest carmaker, which has so far steered clear of building cars in the region, is having second thoughts. Mr Akira Yokoi, its head of international operations, says it is now looking closely at local production.

But there is a special reason why German carmakers have been in the vanguard. Their greenfield factories in eastern and central Europe are convenient test-beds for more flexible production methods, which would be resisted by their unionised workers in Germany.

"When you start from scratch, you can be very efficient," says Mr Lorenz Köstner, head of VW's east German engine plant.

Moreover, the threat of shifting investment to the east has given management a lever to negotiate productivity concessions from their traditionally pampered domestic workforce.

The Chemnitz plant, which has been VW's most productive engine unit for the past two years, contracts out dozens of tasks which would be done by VW workers in the west, to cheaper third parties. Similarly, Audi chose to assemble its new sports cars in Hungary because its highly flexible contracts suit a model for which demand will be very seasonal, says Mr Karl Huebser, managing director of Audi Hungaria Motor.

VW and Opel know they must tread carefully to avoid being accused of "exporting" jobs to the east or of "blackmailing" their west German workers into giving up hard-won privileges on pay and conditions.

Such concerns can provoke some extraordinary corporate doublespeak. Last year, Mr Adreas Schleef, Audi's head of personnel, justified the decision to shift work to Györ because it corresponded to the company's strategy of "enhancing our competitiveness, corporate growth and safeguarding employment, each of which influences the others in a kind of magic triangle".

But there is no alchemy behind the companies' ultimate intentions. They believe much of what is being learnt at the new plants in the east will eventually be applied at home. "Whether for VW or Opel, the aim is to transfer the experience back to western Germany," says one executive who has worked for both companies.

Mr David Herman, Opel's chairman and a tough-talking former lawyer, is characteristically succinct. "We have expressed, through our decisions, the element that time is pressing. Having a new plant on your doorstep is different from having it in Indonesia."

High-cost manufacturers like VW and Opel believe they have no other way to fight the threat of rising imports from lower-cost Asian rivals in western Europe. For them, the factories in the east are vital lifelines to developing new markets for tomorrow and to protecting those of today.

• OBSERVER •

Trailblazing Alberta

■ Ralph Klein has a message for Alain Juppé and other embattled European Union leaders struggling to meet the single currency criteria – eat your hearts out.

Klein, premier of the Canadian province of Alberta, has succeeded over the past five years in turning a record budget deficit into a healthy surplus. Buoyant oil prices have helped, but Klein has also cut a swathe through supposedly sacrosanct government programmes. Spending on healthcare and education is down about 15 per cent. Hospitals have been closed and welfare rules tightened. The civil service has shrunk by a third, with 10,000 jobs axed.

So presumably the good citizens of Calgary and Edmonton are taking to the streets in protest? Quite the contrary. According to the polls, Klein's Progressive Conservatives enjoy the support of 60 per cent of decided voters. No one will be surprised if they sweep up every legislative seat in elections that Klein has called for March 11.

Politicians in other parts of Canada, including French-speaking Quebec, have successfully followed Alberta's recipe. So enough of those quips that Canadians are boring; they're actually very sensible.

Seventh sealed

■ Signs at last that the tide may be turning in Switzerland's favour in the row over its record in the second world war. It has decided *not* to set up another committee in addition to the six already trying to deal with the crisis.

Switzerland's first response to the row was to ask Paul Volcker, former chairman of the Federal Reserve, to chair a committee to check whether Swiss banks were still profiting from the dormant bank accounts of holocaust victims. When this failed to calm things down, it set up a taskforce. The taskforce hasn't done much good either, and at the last count six special committees were trying to sort out the mess.

Everybody expected the Swiss government to announce a seventh yesterday. But in an uncharacteristically firm move, it has abandoned plans to create a high-level group to co-ordinate strategy. It felt there were enough committees doing that already. Oh surely not.

Bad timing

■ Officials preparing for the European single currency are finally getting to grips with mundane practicalities. The result could be a change in the timetable for swapping our francs, D-Marks and, maybe, pounds for freshly-minted euros.

On present plans, euro notes and coins are due to go into circulation on January 1 2002, three years after exchange rates are locked. But it has just dawned on officials that the week after Christmas is the worst time to make the switch. Millions of shop assistants will have to be retrained to use the new currency – and literally billions of items will have to to be re-priced.

Retailers won't have enough time during the pre-Christmas rush and are not thrilled at the prospect of the changeover wrecking their January sales. Word has it that the switch could be brought forward to the summer of 2001; or euros may have to be phased in gradually alongside national currencies.

Taxing problem

■ There was exhaustive analysis and speculation in the French press yesterday concerning a notable increase in the number of marriages (up by 10 per cent) and births (up by 8,000) recorded last year. Unromantically enough, the increases are probably more to do with a change in the tax laws last year, making simple cohabitation fiscally less attractive.

But there is a national obsession with demography, one that perhaps extends to the highest levels of power. If the government caves in and lets many more of its workers retire at 55, as they are demanding, an increase in the birth rate will come in handy to fund the pension bill.

Donkey work

■ Delegates to a London conference this week on Britain's place in Latin America's growing economies gained an unusually candid insight concerning President Rafael Caldera of Venezuela.

Ramon Ilarremendi, the presidential external affairs adviser, began his address to UK captains of industry thus: "I am the president's adviser, but I don't know why I bother. He doesn't listen to a word I say." He then described the octogenarian President as the sort of man "who swallows down a donkey and burps up a pineapple." We don't know what that means, either.

Announcing that Venezuela was doing good things with its economy – he wasn't quite sure what – Ilarremendi concluded that he might be in danger of losing his job, and sat down.

The Financial Times

100 years ago

Humour In The City
Some bold man has attempted to put on record the light side of business in a new penny weekly paper. We must really remark that if it represents the funny side of the City of London, then the less said about the funny side of the City the better. It cannot be described as either a comic paper for business people or a *business* paper for comic people, but it may possibly attain to better things in time. The trouble, evidently, is that the average City man is neither literary nor amusing, and that those men who are *both literary and amusing* know nothing whatever about the City.

50 years ago

Saving The Chinese $
Messages from Shanghai yesterday indicate that the Government is now considering measures much more vigorous than the recent ineffective open market sales of gold to stem the slump in the Chinese dollar. Rumours of early action to "nationalise" gold and "outlaw" foreign currencies throughout China brought about sensational declines in the prices for gold and the U.S. dollar in Shanghai yesterday.

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FINANCIAL TIMES
Thursday February 13 1997

"Conceive optimistically, plan pessimistically, and execute optimistically."
KAZUO INAMORI, founder of Kyocera
KYOCERA

World Bank offers US incentive to fund IDA

By Robert Chote in London

The US sdministration's bopes of securing about $1bn from Congress to help finance the World Bank's interest-free loan facility for poor countries have been boosted hy an unexpected climbdown by the scheme's big European and Japenese donors.

Contrihutors to the World Bank's International Development Association (IDA) agreed in Paris last week that US companies should be allowed to bid for up to an extra $980m of contracts financed by IDA loans even though the US remained in arrears on its IDA contributions. But US companies could bld only if Congress provides the money which the administratlon has promised for IDA but has so far been unable to pay.

IDA offers interest-free loans to 79 countries which had a per capita income less than $905 in 1995 and which cannot afford to borrow from the World Bank on market terms. Since 1960 these loans have totalled $97bn, financing projects from agriculture and rural development to education and water supplies.

Last year the IDA donors agreed that the US should spend the 1997 financial year psying off its arrears, while the rest contributed to a one-off $3bn trust fund which would finance IDA loans agreed during tha year. The Europeans and Japaneae inslsted thst US companies should not benefit from contracts financed by this fund.

The US Congress was furious about the procurement restrictlons and gave the administration only $700m of the $934.5m it requested, leaving $234.5m in arrears outstanding. US officials told last week's meeting that the administration would request enough money to pay off the arrears this year and to make an $800m contribution to IDA loans in fiscal year 1998.

The Europeans and Japanese hope that by offering to lift the procurement restrictions on around a third of the trust fund, the administration will be able to present this to Congress as a diplomatic triumph and thereby secure the money it is looking for. But some officials fear that their governments may regard this as too big e concession to the US, so there is a two-week period for objections.

Mr David Gordon, at the Overseas Development Council in Washington, said the deal should help the US Treasury department press the case for IDA in Congress.

Mr Gordon added that it was almost inconceivable that Congress would agree to pay all the arrears, but that half might be possible. He said that $917m is the real target which would be a great achievement.

The non-US donors agreed to meet at the end of this year to assess procurement restrictions.

Berezovsky sues Forbes magazine on 'mafia' allegation

By Chrystia Freeland in Moscow and Arkady Ostrovsky in London

Mr Boris Berezovsky, the controversial Russian businessman and deputy head of the security council, yesterday launched a high-profile bid to clear his name in the west.

Mr Berezovsky yesterday issued writs for libel in the High Court in London against Forbes, the US magazine. He is employing Mr George Carman QC, Britain's most feared libel advocate, and Peter Carter-Ruck and Partners, the prominent libel law firm.

He alleges Forbes defamed him in a December article that claimed he had links with the Russian mafia and had been connected with tha gangland-style assassination of a prominent Russian television presenter.

The public suit is part of a growing effort by Russia's business leaders to shed the often sleazy image Russia's fledgling capitalists developed immediately after the collapse of communism.

Mr Andrew Stephenson, a solicitor with Peter Carter-Ruck and Partners, said yesterday: "The magazine has made very serious allegations against Mr Berezovsky, accusing him of murder." It "appears to be very short on detail and facts. It was calculated to defame Mr Berezovsky." He said the writ was issued with Mr Nikolai Gloushkov, first deputy managing director of Aeroflot. The lawyers did not rule out suing other newspapers, incInding the Moscow Times, which had repeated the allegations.

The article in Forbes linked Mr Berezovsky to the murder of Vladislav Listiev, a popular television talk show host, who, according to the Forbes article, stood in Mr Berezovsky's way.

Mr Berezovsky is one of seven Russian businessmen who bankrolled the re-election campaign of Mr Boris Yeltsin and wields great political power in the Kremlin.

Mr James Michaels, editor of Forbes, said yesterday he had not been informed of the writ but stood by his magazine's article. He added: "I find it very curious that Mr Berezovsky waited three months before objecting to the article."

Mr Stephenson said Mr Berezovsky had chosen London because the "British legal system offers an effective and independent forum for Mr Berezovsky and Mr Gloushkov to clear their names. It also offers Forbes a chance to apologise in a formal statement to the court." Under US libel law, it is almost impossible for public figures to contest successfully claims where they feel they have been defamed.

France reaffirms Emu aim despite budget overshoot

By David Owen In Paris

$52bn deficit lower than 1995 says ministry

The French government yesterday underlined its determinatlon that the country would qualify for the European single currency, while announcing that last year's central state budget deficit had overshot its target hy about 2.6 per cent.

The ministry of economy and finances said the budgetary shortfall was FFr295.4bn ($52.2hn), against an initial objective of FFr287.8bn.

It nonetheless described the outcome as "close" to the original target. "Compared with 1995, the budget deficit has been reduced by nearly FFr28bn in spite of a difficult macroeconomic context," the ministry said.

Mr Jean Arthuis, finance minister, said the figures showed the government had kept its promises in economic circumstances less favourable than expected. There was no question of France missing "the European rendezvous".

Mr Alain Lamassoure, budget minister, said the government expected the overall deficit on the combined accounts of central and local government and the social security system to reach 4.1 per cent of gross domestic product in 1996, again marginally higher than originally targeted.

He said definitive figures were not yet availahle, and acknowledged that some slippage was possible on social security, but suggested this might be offset hy a "nice surprise" from local authorities.

This week, a leading lender to the public sector said French local authorities planned this year to reduce their debt in real terms, helping to cut the country's budget deficit.

To meet tha Maastricht criteria for monetary union, France, like other European Union countries, must restrict its overall public deficit for 1997 to 3 per cent of GDP. Ministers have insisted repeatedly thst France will meet this requirement.

In an apparent ettempt to reinforce the government's credibility and give it more room for manoeuvre, Mr Arthuis confirmed that a possible freeze of certain payments in the 1997 budget was being prepared.

According to the finance ministry, whether the frozen credits needed to be annulled would be determined later. The ministry gave no indication of the sums involved.

Ministers were also keen to emphasise that the increase in public spending in 1996 – at 1.7 per cent – was "for the first time" lower than the rate of inflation.

The civil service ministry said the public sector pay bill was expected to increase hy just under 2.2 per cent in 1997 from last year's levels. Civil servants plan to strike for a day on March 6 in protest at the government's pay offer.

S Korea scandal

Continued from Page 1

either place his son under arrest or send him overseas," said Mr Sul Hool, a spokesman for the main opposition party.

The younger Mr Kim has threatened to sue the opposition for libel.

The president yesterday promised a thorough investigation "without allowing any sanctuary" for those guilty.

Kohl calls for pay freeze

Continued from Page 1

was forthcoming from the opposition Social Democratic party.

The disclosure yesterday that DM20bn ($12.10bn) more than previously expected may be required in the years up to 2010 to fund pensions of employees at Deutsche Telekom, Deutsche Post and Deutsche Postbank – all in the process of privatisation – highlights the long-term demographic pressures facing Germany.

The post and telecommunications ministry said, however, there were no plans for funding any additional shortfall from the federal budget. Sufficient income was expected from dividend income and the sale of the state's stakes in the companies.

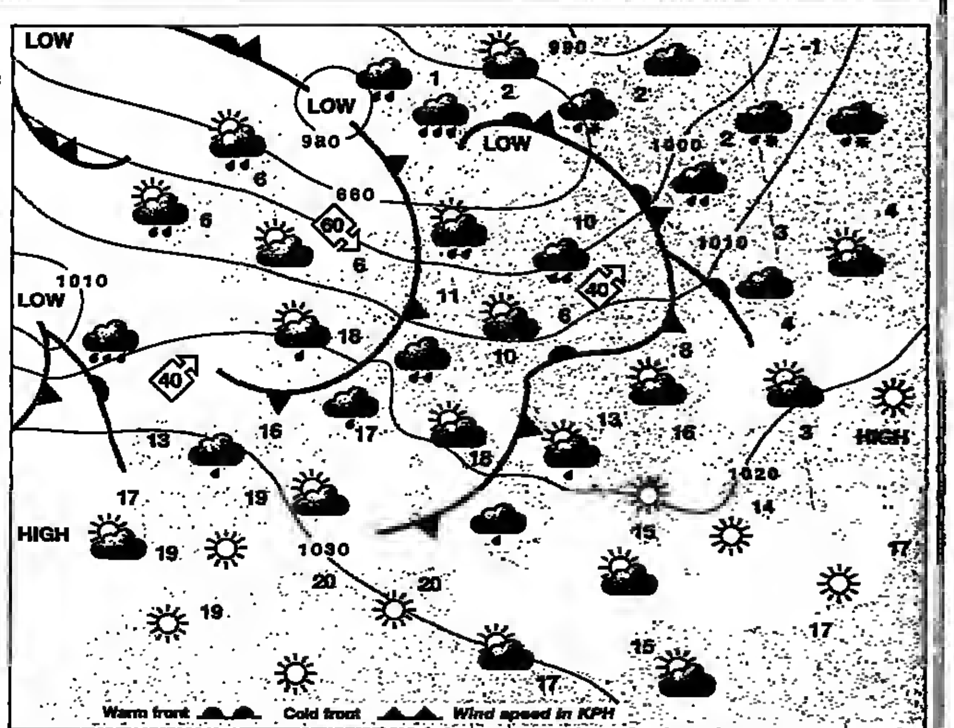
FT WEATHER GUIDE

Europe today

A front will bring showers, some with hail, to the Benelux in the morning.
Showers will develop in the north during the afternoon.
Germany will also have rain and showers.
Western parts of the British Isles will be wet.
North-western France will have sunny periods mixed with cloud, while the south and west will have rain.
The Mediterranean coast will be sunny.
Northern Spain will have rain, but most of the Iberian peninsula will be dry with sun.
Showers will fall in southern Italy and over the west coast of the Balkans.

Five-day forecast

A series of fronts will bring unsettled conditions to western Europe.
High pressure will bring calmer conditions to the area temporarily over the weekend.
Eastern Europe will be cloudy with rain.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

	Maximum	Beijing	sun 6	Caracas	fair 29	Faro	fair 19	Madrid	fair 15	Rangoon	sun 32
	Celsius	Belfast	shower 6	Cardiff	shower 6	Frankfurt	rain 6	Majorca	fair 17	Reykjavik	sleet 1
Abu Dhabi	sun 23	Belgrade	fair 13	Casablanca	sun 19	Geneva	rain 13	Malta	shower 17	Rio	fair 31
Accra	fair 33	Berlin	rain 11	Chicago	cloudy -3	Gibraltar	sun 18	Manchester	shower 7	Rome	fair 18
Algiers	fair 20	Bermuda	cloudy 15	Cologne	shower 5	Glasgow	shower 6	Manila	cloudy 30	S. Frsco	fair 15
Amsterdam	shower 6	Bogota	rain 16	Dakar	sun 28	Hamburg	shower 9	Melbourne	sun 28	Seoul	sun 2
Athens	sun 15	Bombay	sun 31	Dallas	cloudy 6	Helsinki	cloudy 1	Mexico City	fair 23	Singapore	cloudy 32
Atlanta	rain 7	Brussels	shower 9	Delhi	sun 22	Hong Kong	drzzl 17	Miami	fair 27	Stockholm	cloudy 2
B. Aires	cloudy 28	Budapest	shower 6	Dubai	sun 22	Honolulu	fair 27	Milan	fair 12	Strasbourg	rain 11
B.ham	shower 7	C.hagen	rain 6	Dublin	fair 6	Istanbul	fair 11	Montreal	sun -10	Sydney	rain 24
Bangkok	fair 37	Cairo	fair 15	Dubrovnik	shower 13	Jakarta	thund 31	Moscow	sleet 2	Tangier	sun 19
Barcelona	fair 16	Cape Town	fair 26	Edinburgh	shower 6	Jersey	cloudy 7	Munich	shower 14	Tel Aviv	fair 17
						Karachi	sun 27	Nairobi	sun 29	Tokyo	fair 10
						Kuwait	sun 17	Naples	shower 15	Toronto	sun -6
						L. Angeles	sun 19	Nassau	fair 27	Vancouver	rain 6
						Las Palmas	sun 21	New York	cloudy 2	Venice	fair 6
						Lima	fair 27	Nice	fair 16	Vienna	fair 11
						Lisbon	shower 17	Nicosia	sun 18	Warsaw	rain 10
						London	fair 9	Oslo	rain 3	Washington	cloudy 4
						Lux.bourg	shower 6	Paris	shower 10	Wellington	fair 20
						Lyon	rain 14	Perth	sun 32	Winnipeg	snow -8
						Madeira	fair 19	Prague	rain 11	Zurich	rain 11

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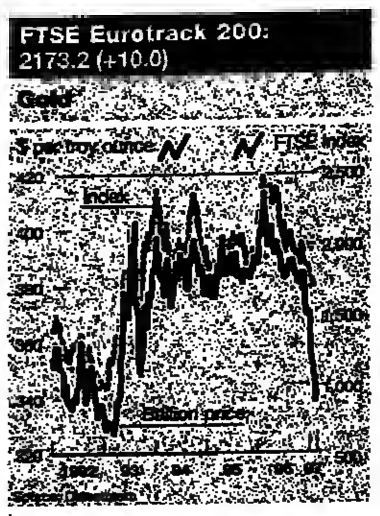
THE LEX COLUMN

Tarnished gold

FTSE Eurotrack 200: 2173.2 (+10.0)



These are nervous times for gold bulls. Normally a price fall to below $340 an ounce would be an unambiguous buy signal for gold shares. The average bullion price over the past decade has been $385 an ounce. Given that historical prices play a big role in the market, the chance of gold staying at its current low level appears slim. Sentiment, however, is also a hig factor, and worries about central bank sales hang like a dark cloud over the market.

Moreover, shares are not particularly cheap. Prices have not fallen in line with bullion. When the bullion price was last at current levels, in 1992, the FT Gold Mines Index was in the 1000-1200 range. Now it is just below 1700, with North American and Australian producers mostly towards the upper end of their historical valuation ranges. Prices have been bnoyed by tha continued merger activity in the sector and the general strength of world equity markets.

South African gold shares look more enticing; they offer better value, provide the purest play on tha gold price, and industry restructuring initiatives augur well. But even here there are grounds for caution. Last year foreign investors were burnt by the collapsing rand. Perversely, the rand is staging an enthusiastic recovery just at the point when the bullion price is plunging. The combination is hardly an enticing backdrop for the South African gold sector. Gold shares will have their day, but buying now is probably premature.

South Korea

As an election year backdrop, it is the stuff of nightmares. In the final year of Mr Kim Young-sam's presidency in South Korea his attempted labour reforms have backfired, the collapse of the Hanbo conglomerate has brought the banking system to its knees, along with a growing number of cabinet colleagues, and the economy meanwhile is slowing down to 1992's depressed levels. And yet the Korean stock market has surged so far this year.

The hope has to be that things are sufficiently rocky to force structural economic reforms. But in an election year, governments rarely launch initiatives which yield short-term pain for longer-term benefits. Mr Kim cannot be re-elected himself, but he wants to dictate a victorious succession. And the fierce reaction to his initial labour reforms will have subdued his appetite for a fight. Nonetheless, tha Hanbo scandal has demonstrated just how uncompetitive, and possibly corrupt, the banking sector has become. Change is imperative. However, forcing strong banks to absorb tha weak would be a poor solution; besides, the traditional big banks, which have been the biggest victims of lending at the behest of government policy, are in no position to help. The latest rumoured soln-tion shows how bad things are. The *chaebol*, or giant conglomerates, may bail out banks. Since the all-pervasive nature of the *chaebol* is now having a hugely restrictive influence on the economy, letting them loose on the banking sector hardly looks the perfect cure.

MAM

The ghost of Mr Peter Young – most recently of Morgan Grenfell Asset Management but before that with Mercury Asset Management – lingers. If another Mr Young were to spring up in MAM's midst, unlikely though that might be, the group wonld be well prepared; the £250m standby loan it is arranging could plug any hole which might appear in the funds it manages. Putting such a facility in place for a rainy day is s sensible precaution. And is more efficient than keeping piles of its own cash.

The move also shows that fund managers do not need the bulging pockets of a Deutsche Bank. As such, it could puncture some of the bid speculation swirling around MAM in the wake of the Dean Witter/Morgan Stanley merger. Many hanks would undouhtedly like to snap it up. But, given that fiercely independent MAM has no need of a sugar daddy, a takeover appears unlikely. All this leaves MAM's shares looking pricey. Following a recent surge, the stock trades on roughly 21 times current yaar expected earnings. That is racy since the equity bull market is long in the tooth. Even without a sharp correction, share prices are unlikely to keep rising at the same rate. And given that fund managers are a geared play on tha market, a slowdown would curb the growth in MAM's earnings. Of course, if a bid materialises, tha current share price will be validated. But investors need to be clear that this is why they are buying the stock.

European banks

European bank stocks have made a breathless start to the year. Italians have led the charge, with the share prices of Credito Italiano up 50 per cent and BCI 35 per cent. Most of the larger German and French banks have made gains above 15 per cent. Only the Swiss have lagged behind, with the big three all showing advances below 10 per cent. Can these moves be justified?

Investors who have seen banking stocks underperform their local markets by 20-30 per cent over the last five years could be forgiven a measure of scepticism. But the present rally is not without foundation. The operating environment is more positive – the upturn in the European economy should help banks' interest earnings, although investment banking profits may be vulnerable. In some cases, particularly France, the shares were very cheap following dismal underperformance in 1996. Finally restructuring, previously the exclusive domain of Anglo-Saxon banks, has crept on to the agenda.

This is all good news, but not quite the bonanza some are expecting. Markets have fully discounted amhitious restructuring stories which are, at best, in their infancy. Anyway, in some cases even ambitious cost-cutting is unlikely to compensate for the shrinking revenues and tight margins that accompany low inflation. The upshot is that most German and Italian bank shares look overvalued. By contrast, French and Swiss banks offer hatter valua, notwithstanding the restructuring constraints which the French in particular face.

See additional Lex on UK inflation, Page 18

The South African automotive and refrigeration industries are leaping forward. Production is now approaching 450,000 motor vehicles and 750,000 refrigerators per year. To keep up the pace, both industries need access to world class fluid carrying systems. That's why **Bundy** paid Dorbyl £7 million for a company created by the former Bundy Corporation – **Bundy South Africa**. Its five facilities will be developed to offer complete fluid carrying systems utilising world-leading technology in coatings, quick connectors and low permeation multi-layer fuel hose. Customers to benefit include Volkswagen, Toyota, BMW, Mercedes-Benz, Whirlpool and Fridgemaster, all pacesetters in the South African economy.
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Thursday February 13 1997
Week 7

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IN BRIEF

Thomson-CSF sale setback

The privatisation of Thomson-CSF, the French defence electronics giant, appeared to be threatened by further delays after Lagardère, the missiles and magazines conglomerate, submitted an appeal to the Council of State. The appeal is thought to relate to last year's failed attempt to privatise the Thomson group. The process was suspended after an independent commission rejected the terms of the Lagardère bid.

Gas shareholders back demerger
The overwhelming majority of the 473 British Gas shareholders who turned up to vote on the company's proposed demerger backed its separation into BG plc, the pipeline and international exploration and production business, and Centrica, the domestic gas trading and supply company. Page 26

Gold falls to four-year low
Gold fell sharply yesterday, hitting a near four-year low on concerns about selling by central banks. Shortly before midday in London the price dropped below $337 for the first time since April 1993. It rallied later but was still off $1.80 at $337.70 by the afternoon fixing. Page 22

Weaker yen helps Canon rise 56%
Canon, the Japanese maker of office equipment and cameras, announced a 56 per cent jump in parent recurring profits. The increase was fuelled by strong demand for computer-related products and a weaker yen. Page 17

Medway seeks £70m to buy US insurer
Medway, a fledgling insurance company, plans to raise £70m on Aim to fund the purchase of a US-based insurer, which it hopes will offer Lloyd's underwriters a way of selling into the licensed North American insurance market. The flotation would be the biggest placing on Aim to date. Page 28

KNP paper arm returns to black
The papermaking division of KNP BT, for which the Dutch packaging and distribution group is seeking an industry partner, returned to the black in the final quarter of 1996 for the first time in a year. Page 14

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Altana	1390	+	34
BEA Prf	586	+	15
Porsche	1890	+	75
Falls			
Badenwerk	593	–	17
Karstadt	517	–	10.5
Schmalbach	359	–	7
NEW YORK ($)			
Rises			
Converse Inc	19⅛	+	3⅛
Nall Oilwell	32	+	2¼
Snyder Comm	28	+	2¼
Falls			
Belden Inc	35⅛	–	3⅛
Safegrd Scien	25¼	–	2⅛
Trinet	32⅛	–	2⅛
LONDON (Pence)			
Rises			
Greystone	197½	+	14
Reuters	650½	+	24½
Shield Diag	325	+	21½
Wheeson	155½	+	65½
Falls			
Interoute Tel	98½	–	24½
Psion	364	–	15
TORONTO (C$)			
Rises			
Dia Met Minrl	21.95	+	1.45
Golden Rule	8.15	+	0.75
TLC Laser Cnt	8.15	+	0.8
Falls			
Dayton Mining	6.5	–	0.9
Printera	2.5	–	0.35
Triam Automtv	4.8	–	0.5

PARIS (FFr)			
Rises			
BNP	237.5	+	8
Banc Comp	720	+	20
Cap Gemini	334.9	+	24.9
Synthelabo	605	+	22
Technip	589	+	24
Falls			
Essilor Int	1572	–	43
TOKYO (Yen)			
Rises			
CSK	2990	+	190
Chugai Pharm	956	+	35
Marul	1880	+	240
Falls			
Fudo Const	433	–	39
Kumagai-Gumi	187	–	19
Penta Ocean	449	–	25
HONG KONG (HK$)			
Rises			
Cheung Kong	74.75	+	1.0
Henderson Lnd	71.0	+	1.0
Kowloon Mtr	14.9	+	0.45
SHK Ppt	89.25	+	1.0
TVB	33.5	+	0.5
Falls			
Guoco Grp	43.9	–	1.0
BANGKOK (Baht)			
Rises			
Furukawa	30.5	+	2.75
SSS Bec	35.75	+	3.25
Nawarat Pine	17.75	+	1.5
Falls			
Dhipaya Ins	47.0	–	5.0
Thai Intl Gas	44.25	–	4.75
Union Bk Bkk	91.0	–	10.0

New York and Toronto prices at 12.30pm.

Italian carrier hit by restructuring costs and domestic competition

Alitalia loss likely to be $800m

By Paul Betts in Milan

Alitalia expects to report a higher than expected loss of L1,300bn ($800m) for 1996, Mr Carlo Azeglio Ciampi, the Italian treasury minister, yesterday told a parliamentary transport commission.

The Italian flag carrier had been expected to lose about L1,200bn last year, including L800bn in restructuring charges. The airline, 90 per cent owned by the IRI state holding company, lost L85.9bn in 1995 despite a L443bn capital gain from the sale of its stake in Aeroporti di Roma, the airports operator, and other assets.

The restructuring plan includes a controversial L3,000bn recapitalisation of the airline, which is being scrutinised by the European Union.

IRI is contributing L1,500bn of the new funding with the other half due to come from other market sources. So far IRI has advanced Alitalia L1,000bn and will put in the additional L500bn once the EU approves the plan.

The government hopes to raise the other L1,500bn through outside investors as well as from employees taking a stake in the airline. It is also encouraging Alitalia to forge alliances with foreign airlines, which could involve shareholdings.

Mr Ciampi said Alitalia could raise a further L500bn from the sale of non-strategic assets.

The restructuring programme would dilute IRI's dominant stake in the airline because the state holding is contributing only half of the recapitalisation. The government hopes eventually to privatise the airline.

Mr Ciampi said Alitalia would resume investing in 1998, especially to renew the airline's ageing fleet. This will give the airline the chance to rationalise its fleet, comprised of a wide variety of aircraft.

Alitalia is facing increasing domestic competition because of deregulation.

Air One, a small private Italian carrier, said yesterday it had taken a 25 per cent share of the important Milan-Rome market since it started flying this route a year ago.

The carrier, which operates eight Boeing 737s and carried 713,000 passengers last year, also announced yesterday it was joining the Swissair frequent flyer programme, Qualiflyer. Other partners in Qualiflyer include Delta, Singapore Airlines, Austrian Airlines and Cathay Pacific.

● The decision of the Naples local authorities to sell a 65 per cent stake in Naples airport to BAA, the privatised former British Airports Authority, yesterday provoked an angry response from Aeroporti di Roma, the Rome airports operator.

The Italian company complained it had not been given a chance to bid and said it was ready to buy "a significant stake" in Naples airport.

MAM to raise £250m standby crisis loan

By George Graham, Banking Correspondent

Mercury Asset Management, the largest UK independent fund manager, is to raise a £250m ($408m) standby loan that could help it cope with the sort of crisis that hit its rival Morgan Grenfell Asset Management last year.

MAM has mandated J.P. Morgan and Royal Bank of Scotland to raise a standby loan, even though it currently holds an estimated £300m of surplus cash.

Mr Hugh Stevenson, MAM's chairman, said there was no immediate intention to draw on the loan.

MAM, which has never had to go to the banking market for this kind of finance, had not considered the facility until a few months ago, shortly after Morgan Grenfell ran into trouble.

Last September, Morgan Grenfell had to ask for help from its parent, Deutsche Bank, after suspending Mr Peter Young, one of its star managers, who had been inflating the value of funds under his control by investing in unlisted shares.

Deutsche made an immediate injection of £180m to support Morgan Grenfell's unit trusts. With compensation to investors still to be paid, the final bill for the débâcle is estimated at £300m.

MAM's shares have risen in recent weeks as speculation spread that the company would soon be taken over by a larger group. But the £250m standby credit is seen as a declaration of MAM's intention to remain independent.

The Investment Management Regulatory Organisation, which oversees fund managers, is reviewing the Morgan Grenfell case and has not yet concluded whether fund management companies need more capital to guard against unpredictable risks.

Smaller fund managers, such as Henderson or Edinburgh Fund Managers, would be less able than MAM to find the sort of cash Deutsche had to produce for Morgan Grenfell. Observers argue, however, that they have better compliance procedures and control over their managers.

Lex, Page 12

Japanese paperboard makers to merge

By Michiyo Nakamoto in Tokyo

Paperboard makers Japan Paper Industry and Jujo Paperboard will merge in October to create Japan's second largest paperboard manufacturer with 12 per cent share of the domestic market.

The merger is expected to lead to further restructuring of the sector, which has suffered from low prices and growing pressure from imports.

The two companies agreed to merge "to deal with the severe business environment in the paperboard industry, further expand and strengthen the foundations of the companies and contribute to the stabilisation of the industry".

Nippon Paper, which owns 21.91 per cent of Japan Paper Industry and 98.27 per cent of Jujo Paperboard, will receive four shares in Japan Paper Industry for each of its Jujo shares. That will increase Nippon Paper's stake in Japan Paper Industry to 42.8 per cent, while Jujo will be dissolved.

Japan is the world's second largest paperboard market with annual production of about 12m tonnes and shipments valued at some Y700bn ($5.75m).

Major users of paperboard, which is used to make boxes, have moved a substantial proportion of their activities overseas to take advantage of lower costs. At the same time, domestic users of paperboard have demanded lower prices.

Japanese paperboard manufacturers are also seeing increasing competition from foreign manufacturers with lower costs, particularly Taiwan. Analysts say they need to lower costs to survive.

Against this background, the profitability of paperboard makers has declined sharply.

Settsu, a leading manufacturer, saw its parent operating profits plunge from Y7.6bn ($61.8m) in the year to March 1991 to Y4.9bn ($39.8m) in the last financial year.

Japan Paper Industry's operating profits have also suffered, falling from Y4.1bn ($33.3m) in the year to December 1991 to a forecast Y1.9bn ($15.4m) in 1996.

The latest merger will benefit the companies but is not expected to lead to significant improvement in the market environment.

Mr Jeff Saknowitz, industry analyst at HSBC James Capel in Tokyo, said: "Since it is very, very difficult to increase the prices of paperboard, the key to improving profits is to cut costs."

The merged group will be able to achieve savings by concentrating production of overlapping products at specific facilities, raising economies of scale and rationalising distribution.

Mr Saknowits said further consolidation would be required to improve the overall situation in the industry, however.

"This is not going to do to the paperboard industry what the mergers in 1993 did to the paper industry," he added.

The mergers of Jujo Paper and Sanyo Kokusaku to create Nippon Paper Industries, and of Kanzaki and Oji to create New Oji, created two giants able to stabilise prices in the paper market.

But the paperboard sector is still fragmented, with some 30 companies making paperboard, 300 companies turning that into corrugated sheet and a further 3,000 making the sheets into corrugated cases.

Shooting star: Frances McDormand in the film Fargo, for which she was nominated this week as Best Actress in the Oscar awards

PolyGram sees return to growth

By Alice Rawsthorn in London

PolyGram, the Dutch entertainment group which this week received 14 Oscar nominations for its 1996 films, yesterday forecast a return to growth in 1997 after two years of static profits.

Mr Alain Lévy, president, who issued a profits warning last October, anticipated another year of losses for the film division.

However, Mr Lévy expressed confidence that conditions in the global music market would improve after last year's "temporary lull", which triggered a slight fall in pre-tax net income to Fl 722m ($384.4m) from Fl 741m in 1995.

Shares rose by Fl 5.20 to Fl 88.50 yesterday.

Mr Lévy, who issued a profits warning last October, anticipated another year of losses for the film division. PolyGram plans to invest up to $15m in setting up a US film distribution network.

Mr Lévy said he hoped the film subsidiary, which broke even during the second half with negligible profits of Fl 2m, would move into the black "from 1998 onwards".

Group net sales grew by 7.8 per cent to Fl 9.49bn from Fl 8.8bn last year. However, operating income stabilised at Fl1.08bn, and net income per share fell to Fl 4.01 from Fl 4.12 before extraordinary charges of Fl 160m, to cover restructuring at Motown Records and the classical music division. The board proposes a dividend of Fl 0.95.

PolyGram's film division saw sales increase by 25 per cent to Fl 1.54bn, after the success Sleepers, which has taken $130m at the box office, Trainspotting, Dead Man Walking and Fargo. Other pictures, notably Portrait Of A Lady, performed below expectations. However, the division reduced its losses by 49 per cent during the year. Mr Lévy cited The Game, starring Sean Penn, and the film version of Mr Bean as promising releases for 1997.

PolyGram's music division mustered sales growth of 5 per cent to Fl 7.95bn, compared to industry-wide growth estimated at 3 per cent. Its record labels released 34 albums that sold over 1m copies in 1996, against 31 in 1995. None of those albums sold more than 5m copies.

The dearth of 5m-plus hits depressed profitability while the cost of promoting new releases escalated.

Music calls tune at PolyGram, Page 14

Swedish mining division to have Toronto listing

Trelleborg to concentrate more on rubber and trading operations

By Greg McIvor in Stockholm

Trelleborg, the Swedish mining, metals and rubber group, is to list its Boliden mining and metals unit on the Toronto stock exchange later this year.

Boliden is Trelleborg's biggest division, accounting for about 40 per cent of sales and almost half of its profits. It will continue to be led by Mr Anders Bülow, managing director, but will be based in Toronto.

The listing, which had been expected by analysts, marks a further narrowing by Trelleborg of its focus to rubber and trading operations. It follows the $1bn disposal of a 28 per cent stake in Canada's Falconbridge mining group last year.

Mr Kjell Nilsson, Trelleborg chief executive, said the decision to list Boliden was a response to internationalisation in the mining and metals industry and Boliden's need to generate cash for investment.

He said a Canadian listing would be a springboard for Boliden to expand in North America and South America, where it would gain greater access to zinc and copper reserves.

The strategy included plans to extend the Ronnskar copper mine in Sweden and to explore further mining projects in Sweden, Trelleborg said.

The decision to float Boliden helped to lift Trelleborg shares by SKr2.50 to SKr119.50. The shares have risen 45 per cent in the past three months amid hopes of a recovery in metals prices and expectations of Boliden's spin-off.

Mr Peter Dupont, metals analyst at Union Bank of Switzerland in London, said the decision to list in Toronto – the world centre for mining and metals stocks – would probably confer a higher rating on Boliden than if it were listed in Stockholm.

Boliden's operating profits were reduced by lower metals prices last year and fell from SKr703m (£57.5m) to SKr362m on sales down from SKr8.7bn to SKr7.9bn. The operating margin fell from 8 per cent to 4.6 per cent.

Trelleborg said it intended to float around half the shares in Boliden and keep the rest as a long-term holding.

The sale would be directed at investors inside and outside Canada, with no pre-emption rights for Trelleborg shareholders.

Nesbitt Burns, the Canadian investment bank, is to act as adviser to the issue.

Trelleborg yesterday announced a 71 per cent fall in full-year pre-tax profits, from SKr3.5bn to SKr1bn. Turnover slipped from SKr24.8bn to SKr20.8bn.

The results were in line with expectations and reflected lower copper prices in 1996 and weak economic activity in Europe, as well as a stronger krona.

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Générale des Eaux wins SNCF deal

By David Owen in Paris

Compagnie Générale des Eaux last night received a fresh boost to its aim of becoming France's elternative telecoms operator, when it was chosen by SNCF, the French state-owned railway company, to help develop its telecoms network.

SNCF is to enter "exclusive negotiations" with Cegetel, the diversified French utilities group's telecoms operation, with the aim of finalieing e strategic partnership agreement by the end of March.

Under this, Cegetel – in eventual association with other partners – is expected to take a 49.9 per cent stake in Télécom Développement, SNCF'e specialised telecoms subsidiary. SNCF will retain a majority interest.

The railway company's 8,600km fibre-optic network, linking most of France's main towns and cities, is the country's second largest. SNCF has been looking for industrial and financial partners to develop its full potential.

The network could he used to compete with France Telecom, the state-controlled operator scheduled this year for partial privatisation, in the vital long-distance market after liberalisation of European telecoms markets on January 1 1998.

Other hidders included Bouyguee, the French construction group, and AT&T-Unisource, an alliance between the largest US long-distance operator and four European telecoms operators – KPN of the Netherlands, Telia of Sweden, Swiss Telecom and Telefónica of Spain.

The railway company'a decision is eleo a fillip for Britieh Telecommunications, which is spending $1.8bn on a 25 per cent stake in Cegetel. Other direct and indirect stakeholders include Mannesmann of Germany, Vodafone, the UK mobile operator, and SBC, formerly SouthWestern Bell, of the US.

Générale des Eaux is also in discussions with Nippon Telegraph and Telephone in a move that could result in the Japanese carrier taking a small stake in Cegetel.

As operators of France's second and third mohile telephone networks, Générale dea Eaux and Bouygues were thought likely to be among SNCF'e first telecoms customers.

Cegetel said last night Télécom Développement would benefit from the long-distance traffic generated both by its SFR mobile telephone network and by local networks it was setting up in about 20 urban areas.

Cegetel would elso bring international traffic generated by the networks of its partners in Germany, the US and the UK, the three countries which make the most telephone calls to and from France.

SNCF said the final choice had been between the Cegetel offer and that of Bouygues, in association with Stet, of Italy, and Veba, of Germany.

Merita investors to receive dividend

By Hugh Carnegy in Helsinki

Merita, the biggest Finnisb banking gronp, yesterday announced it would pay a dividend for 1996 – the first payont to shareholders in four years.

The dividend follows e rise in operating profits from a pro forma FM174m in 1995 to FM1.2bn last year, largely in line with investors' expectations. Net profits rose to FM1.7bn, boosted by a one-off gain of FM1.2bn from e pension fund surplus.

Merita said it would pay a dividend of FM0.20 per A share – triggering a payout of FM0.80 a share on the group's B shares for both 1995 and 1996. The total payout will be FM260.2m.

The dividend is s hreakthrough for Merita, forged in 1995 by tbe merger of what were Finland's two largest banking groups, Unitas and KOP. It is four years since eitber gronp paid a dividend.

News of the peyont prompted an initial jump in Merita A shares yesterday, bnt they slipped back to close at FM17.30, up FM0.40.

A hig factor in Merita's improvement was s fall in loan losses from FM2.5bn to FM1.5bn. The 1996 figure inclnded a FM96m write-off against loans to Eurotunnel, the indebted operator of the Channel tunnel.

Personnel costs fell from FM3.44hn in 1995 to FM2.96bn. Other expenses also fell, hnt s jump in depreciation costs relsted to real estate limited the fall in total costs, which eased from FM6.9bn to FM6.7bn.

Merita said it expected operating results to improve further in 1997 as it foresaw continued low interest rates and lower loan losses. In 1996, net income from financial operations fell from FM4.4hn to FM4hn, hnt rises in commission, securities and foreign exchange earnings lifted total income from FM9.2bn to FM9.3bn.

DnB looks to expand outside Nordic region

By Greg McIvor in Stockholm

Den norske Bank, Norway's largest financial services group, said yesterday it was keen to expand outside the Nordic region to meet growing competitive challenges.

Mr Finn Hvistendahl, chief executive, said tha growth of competition and customers' increasingly international needs required "a substantial strengthening of our contacts" with other financial services groups.

His comments came as DnB reported a 2.3 per cent rise in full-year profits, with higher lending and deposit volumes helping it to offset pressure on margins.

Pre-tax profits rose from NKr2.66hn to NKr2.72bn ($410m), in spite of a dip in net interest income from NKr4.3bn to NKr4.2bn. The fall was hlamed on growing competition in the banking sector and to a narrower gap between lending and deposit interest rates.

Profits were some NKr150m below average market expectations but DnB shares rose NKr0.80, or 2.9 per cent, to NKr20.60 following comments by Mr Gerhard Heiberg, chairman.

He said the group wanted to play an active role in financial sector restructuring in Norway, and did not rule out participating in a deal this year. "We want to be involved ... and we would like to be in the driving seat if possible," be said.

Meanwhile, Mr Hvistendahl said the group had "needs which go beyond those which can be satisfied only in a Nordic context", although it would defend its position of market leader in Norway. He said DnB was keen to develop its fund management operations and was also enthusiastic about moving into non-life insurance following the acquisition last year of Vital, Norway's second-largest insurer.

DnB said cost-cutting and Norway's buoyant economy had fuelled lending and deposit growth. Opereting costs fell from NKr4.9bn to NKr4.58bn. Loan losses and non-performing loans continued to decline, resulting in a NKr380m net write-back of provisions against credit losses. Write-backs in 1995 were NKr479m.

DnB's net interest margin shrank from 2.51 per cent to 2.30 per cent, reflecting growing competition in the Norwegian market. Ms Abi Leach, banking analyst at Deutsche Morgan Grenfell in London, said DnB's main prohlem was that competition had eaten up any gains from increased volumes.

The group, which is in dispute with the Norwegian tax authorities, took a NKr22m tax charge hut noted it had been billed for about NKr600m.

Finn Hvistendahl: keen to develop new operations

French bourse seeking European collaboration

By Andrew Jack in Paris

The French stock exchange is considering an ambitious collaboration with other Europeen hourses in en effort to pool strengths and attract husiness in the face of growing competition.

Mr Jean-François Théodore, chairmar of the SBF, operator of the French stock market, said he was at the early stages of discussions to create "a sort of Airbus of European exchanges".

The project would entail co-operation on information technology, other technical services and the creation of a single European trading screen to serve all the exchanges.

Mr Theodore said he would like to include the Belgian stock market, as well as Frankfurt and other leading financial centres within the single European currency zone.

"Each market would keep its personality, and there would be legal and regulatory differences between the countries that could not be quickly overcome. But it seems a good idea to promote our systems jointly."

He said he would like to see a "communal structure for the intellectual property" of the participating exchanges, which could "offer a European network to global investors".

The project would build on existing links between continental European exchanges. Belgium and Germany are on the point of launching new specialist exchanges for risky start-up companies. These are connected to the Paris bourse, which opened an equivalent "nouveau marché" in spring last year.

The Belgian stock exchange has hought the NSC, the share quotation computer system developed by the Paris bourse and sold to a number of foreign stock exchanges, and so could easily he integrated into a hroader network.

However, such a project would face difficulties. Talks to bring together the French and German derivatives markets collspsed in lete 1995, and a co-operation initiative between all the financiel markets in the two countries was dropped last year.

Mr Théodore said it was "perhaps a bit too early" to consider cross-shareholdings between European stock exchanges, hut this could happen in the longer term.

KNP paper arm returns to black in fourth quarter

By Gordon Cramb in Amsterdam

The papermaking arm of KNP BT, for which the Dutch packaging and distribution group is seeking a partner, returned to the black in the final quarter of 1996 for the first time in a year.

Mr Frank de Wit, chairman, said yesterday he was in talks with a number of potential investors in KNP Leykam, the paper unit.

"I think we are sure to find a partner this year," he said. If this failed, the operation would continue as a stand-alone producer within the group.

Last September, he said the group was open to offers from competitors who might seek a big stake in Leykam, as part of what be reiterated yesterday was a necessary concentration of the European paper industry.

Witb a Fl 1.2bn ($639m) programme to bring a new mill on stream in Austria nearly completed, KNP halted further investment in the division. Last month it said it was cutting 1,000 of Leykam's 4,600 johs over three years.

After losses of Fl 31m over tbe first three quarters as prices sank, Leykam turned in operating profits of Fl 26m for the final three months to December. This was less than one-third of the Fl 84m schieved in the same period of 1995, however, and divisional sales at Fl 526m were down 27.4 per cent.

According to the company, Leykam ended the year with full order books but pricing remained uncertain.

For the group as a whole, fourth-quarter net profits were Fl 92m, compared with Fl 151m a year earlier, although that figure was struck before an extraordinary write-off of Fl 75m on the hook value of divestments. Sales fell 6.4 per cent to Fl 3.65bn, and for the full year were down 9.3 per cent at Fl 13.64bn. Net profits for 1996 totalled Fl 231m, down 57.6 per cent before allowing for the 1995 charge.

Earnings per share were Fl 1.92 against Fl 5.05, and the dividend is being cut from Fl 1.75 to 85 cents.

● Tetra Laval, the Swedish packaging company, yesterday sold a division supplying the meat and fish processing industry to a group of investors led by UBS Capital, part of UBS, the Swiss banking group.

Tetra Laval Convenience Food, based in the Dutch town of Bakel and employing 1,300, will change its name to Convenience Food Systems. A flotation is planned within five years.

Zambia Copper Investments Limited

(Incorporated in Bermuda)

(ZCI)

Announcement to shareholders
Re: Konkola Project

In the annual report for the year ended June 30, 1996 shareholders were advised that a consortium led by ZCI (the Consortium) had entered into negotiations with the Government of Zambia and Zambia Consolidated Copper Mines Limited (ZCCM) with a view to concluding a Memorandum of Understanding (MOU) regarding the proposed development of the Konkola Project by the Consortium in a joint venture with ZCCM. It was indicated that the identified ore resource contains 340 million tonnes at 3.8% copper and is sufficient to continue mining operations for a period in excess of thirty years. It is estimated that the Project will access the ore resource to a depth of some 1,470 metres, mining at a rate of six million tonnes per annum and with a capacity to produce approximately 180,000 tonnes of finished copper annually. The capital cost is currently expected to be of the order of US$700 to US$800 million.

The Consortium led by ZCI comprises ZCI (40%), Gencor Limited (Gencor) (30%) and Falconbridge Limited (Falconbridge) (30%) – Gencor and Falconbridge being international mining houses.

Shareholders are advised that the MOU between the Consortium, the Government of Zambia and ZCCM was signed on 11 February 1997. The MOU, to which is appended the principal terms to be incorporated in a Development Agreement and Shareholders Agreement, inter alia, provides the Consortium with the exclusive right to conduct a feasibility atudy on the Konkola Project, which comprises the Konkola mine (including the Konkola Deep Mining Project (KDMP)) and concentrator, together with the Mufulira smelter and refinery, and outlines the basis on which the Konkola Project would be developed should a decision be taken to proceed following completion of the feasibility study. In addition, the Consortium has confirmed that it would be prepared to assume early ownership of a majority of the shares in a company (KonkCo), into which the operations and assets that will form part of the Konkola Project will be transferred by ZCCM, prior to making a final decision on whether to proceed with the Konkola Project, although a final commitment to assume early ownership is, inter alia, subject to:

- the completion of s due diligence study on the existing operations and assets with particular reference to the period up to a final decision on the Konkola Project following completion of the feasibility study;
- agreement on a timetable for transfer of ownership of a majority of the shares in KonkCo which is consistent with the transfer of majority ownership to the successful bidder for Nchanga and Nkana Divisions in terms of the ZCCM privatisation process; and
- agreement on the terms of a put and call mechanism entitling the Consortium to put in full its majority shareholding in KonkCo back to ZCCM at any time prior to a decision on whether to proceed with the Konkola Project and entitling ZCCM, on the occurrence or non-occurrence of specified events, to call for the re-delivery of such shares.

The Consortium's exclusive right to conduct a feasibility study on the Konkola Project will expire, inter alia, if it does not assume early ownership of a majority of the shares in KonkCo by the later of the date on which majority ownership is transferred to the successful bidder for Nchanga and Nkana Divisions and June 30, 1997.

It is presently envisaged that the due diligence study referred to above will be completed before the end of June 1997 and will be conducted in parallel with the feasibility study which it is presently anticipated will be completed by the end of 1997. ZCI's proportionate share of the costs of the due diligence and feasibility studies will be funded from its existing cash resources.

The MOU provides for ZCCM to retain a 20% interest in KonkCo (in the form of a 5% free and 15% repayable carried interest) with the Government of Zambia being given a Golden Share with limited rights (but excluding any right to participate in profits).

The MOU is not legally binding (except for the provisions dealing with exclusivity and confidentiality) and a decision on whether ZCI will participate in the Konkola Project is subject to successful completion of the due diligence study, finalisation of relevant agreements (including the Shareholder Agreement and Development Agreement) and the completion of a bankable feasibility study.

Shareholders will be kept informed of further developments in regard hereto.

Bermuda
11 February 1997

INTERNATIONAL NEWS DIGEST

Standard Bank lifts assets 26%

Standard Bank has eclipsed Amalgamated Banks of South Africa as the country's largest banking group, after reporting a 26 per cent rise in assets last year. Total assets rose from R101bn to R127.8bn ($30bn), helped by a 27 per cent increase in after-tax profit to R1.5bn. Analysts said the results were in line with expectations, which had been revised downwards in the wake of volatility in the money market.

Earnings per share were 24 per cent higher at R13.11. The final dividend was R2.98 a share, bringing the total for the year to December 31 to R4.07, against R3.27 previously. Mr Mike Vosloo, chief executive, described the performance as "satisfactory". Margins had been squeezed by a sharp rise in short-term lending rates and the devaluation of the rand, but the group reported strong growth from international operations. Standard's subsidiaries include merchant banking and treasury operations in London and across Africa.

Mark Ashurst, Cape Town

Thomson-CSF sale setback

The privatisation of Thomson-CSF, the French defence electronics giant, appeared to he threatened hy further significant delays last night after Lagardère, the missiles-to-magazines conglomerate, submitted s formal appeal to the Council of State.

The appeal is thought to relate to last year's failed attempt to privatise the entire Thomson group. The government initially expressed a preference for Lagardère'a offer. But the process was later suspended after an independent commission rejected the terms of the Lagardère bid. This included plans to sell Thomson Multimedia, Thomson's money-draining consumer electronics arm, to Daewoo of Korea. *David Owen, Paris*

Volvo seeks cuts at truck unit

Volvo, the Swedish car and truck maker, has mounted a drive to cut costs by SKr3bn-SKr4bn ($405m-$540m) in its losmaking truck unit hy the end of 1997. It said the rationalisation would be concentrated in its North American truck operations, which incurred heavy losses in 1996. Cutbacks and profitability-enhancing measures were also being implemented in its South American and European truck operations.

Losses at Volvo GM Heavy Truck, the US truck unit in which General Motors has s 13 per cent stake, were the prime factor behind a SKr665m loss in overall truck operations in the third quarter last year. This compares with a SKr1.1hn profit the year before. The US operation lost SKr1.4bn in the first nine months of the year after a 30 per cent fall in sales. *Greg McIvor, Stockholm*

Stadshypotek profits slip 2%

Stadshypotek, Sweden's largest mortgage bank, reported a 2 per cent drop in pre-tax profits to SKr3.02bn ($408m) as lending volumes fell and interest margins narrowed. The bank is the object of a SKr22.9bn hid from Handelsbanken, which yesterday received a green light from the Swedish competition anthorities.

Loans to customers dropped SKr13hn to SKr284bn, with most of the decline coming in the retail sector. The bank's overall interest margin narrowed from 1.51 per cent in 1995 to 1.41 per cent last year. Loan losses, however, fell from Skr1.1hn to Skr575m. Stadshypotek said it had postponed a decision on e dividend until the outcome of the Handelsbanken bid was known.

George Graham, Banking Correspondent

Lyonnaise des Eaux sales rise

Strong growth in water distribution and cleaning contracts following its takeover of Northumbrian Water of the UK helped Lyonnaise des Eaux, the French utilities group, lift sales 7 per cent in comparahle terms to FFr91bn ($16.1bn) for 1996. Turnover of its services division – including water distribution and treatment and energy provision – rose 14 per cent to FFr49bn, while its construction activities remained unchanged at FFr39bn. Sales in its communications division – covering cable and television production – rose from FFr1.4bn to FFr1.6bn.

Andrew Jack, Paris

Trygg-Hansa sells Hansa Re

Trygg-Hansa, the Swedish insurer, yesterday moved closer to its goal of phasing out its reinsurance activities with a preliminary agreement to sell Hansa Re, its US and Canada affiliate. The insurer said it had been in talks for some time with an international group of investors to sell the operation. It said the deal would free $60m in cash and generate a small capital gain.

Trygg-Hansa'a latest divestment follows its sale in 1995 of its interests in US insurer Home Holdings, which drove it into operating loss in 1994 after huge write-downs.

Reuter, Stockholm

DF-1 injunction upheld

DF-1, the German digital pay-tv network owned by the KirchGroup, yesterday failed to overturn an injunction preventing it from marketing its services and advertising for subscribers outside the state of Bavaria. A Hamburg court reinstated the injunction, which was hrought following allegations made by Premiere, a rival pay-TV network, which claimed DF-1 had over-stepped its original licence. DF-1 must now apply for a new, national, broadcasting licence or go to appeal.

Frederick Stüdemann, Berlin

Music calls tune at PolyGram

This should have been a wonderful week for PolyGram. First, "Discotheque", the first single from tbe forthcoming album by the band U2, entered the UK chart at number one; then the company scooped 14 Oscar nominations.

Instead of revelling in success, Mr Alain Lévy, PolyGram's president, faced the less attractive task of affirming yesterday that the Dutch entertainment group'a pre-tax net income slipped to Fl 722m ($385m) in 1996, a fall of 2.6 per cent on the previous year.

The bad news was not unexpected; Mr Lévy issued a profits warning last October. Hence, investors were concerned less with tha problems of 1996 than with whether PolyGram would return to growth in 1997, after two successive years of static profits.

Mr Lévy is confident that it can. "Yes, we should see growth this year," he said yesterdsy. The stock market seemed to egree. Analysts anticipate a moderate increase in pre-tax income to Fl 750m in 1997; and PolyGram's shares rose Fl 5.20 to Fl 88.50.

The crux of PolyGram's difficulties over the past two years was that the pace of profits growth from its record companies slackened st the same time as it was still investing heavily in its five-year-old filmed entertainment division.

Ploughing the profits from PolyGram's record labele into a new film division is a bold move with which Mr Lévy hopes to build a profitable new business in the fast-growing international market for film and television rights.

It has also proved extremely expensive. PolyGram always knew it would take aeveral years for its new subsidiary to hreak even, but that process has been prolonged by the rapid rise in production and marketing costs since it diversified into the film industry.

The critical and commercial success of films such as *Fargo* (nominated for seven Oscars) and *Trainspotting* has enabled PolyGram to nurture a good name in Hollywood, which is essential if it is to attract talented film makers.

Yet these profitable, relatively low-budget films do not generate enough money to compensate for the losses of less successful pictures and the group'a ongoing investment. The film division, which has now soaked up roughly $800m, stayed in the red last year (albeit at a reduced level) and now faces another large investment when PolyGram establishes a US distribution network.

Once that network is in place, PolyGram, which already handles its own distribution in other countries including Germany and the UK, will no longer have to cede such a high proportion of the profits from its hits to external distributors. Conversely, it will also have to absorb more of the losses from its flops.

The performance of the US distribution network will determine how much longer PolyGram's expensive new subsidiary remains loss-making. "PolyGram has already built a strong asset," aaye Mr Guy Lamming, media analyst at SBC Warburg. "But investors will reserve judgment until it is in profit."

In the meantime, the group's prospects for resuming profita growth will be dictated hy its progress in the music market.

Mr Lévy expects conditions to improve, particularly in the US, where record sales hava shown double-digit growth so far this year. Even so, PolyGram will have to ensure that its alhums are among 1997's hits.

The first hurdle for the rest of the group will be next month's launch of *Pop*, the new album from U2, hitherto one of PolyGram's most bankable acts. Other superstar releases, from Bryan Adams and Sting, did not sell quite as well as expected last year; but the U2 album has, at least, got off to a good start.

Alice Rawsthorn

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$589,900,000 **UCAR** Common Stock	$509,200,000 **Northrop Grumman** Common Stock	$476,000,000 **Praxair** Common Stock	$448,000,000 **Fresenius Medical Care** Preference Shares Joint Global Coordinator	$395,000,000 **Böhler-Uddeholm** Common Stock Joint Global Coordinator	$320,000,000 **ASM Lithography** Common Stock
$317,400,000 **Calpine Corp.** Initial Public Offering	$298,300,000 **Omnicare** Common Stock	$286,400,000 **American Radio** $148,900,000 Common Stock $137,500,000 Convertible Exchangeable Preferred Stock	$280,200,000 **Falcon Drilling** Common Stock	$257,700,000 **US Satellite Broadcasting** Initial Public Offering	$252,500,000 **Alusuisse-Lonza** Convertible Bonds
$248,700,000 **Seacor Holdings** $172,500,000 Convertible Subordinated Notes $76,200,000 Common Stock	$208,700,000 **Stage Stores** Initial Public Offering	$207,000,000 **Revlon** Initial Public Offering Joint Lead Manager	$201,500,000 **Linens 'n Things** Initial Public Offering	$178,500,000 **Prime Service** Initial Public Offering	$176,700,000 **Macronix International** Common Stock
$175,400,000 **DT Industries** Common Stock	$175,000,000 **Tata Engineering and Locomotive** Common Stock	$174,900,000 **Luz del Sur** Common Stock	$162,000,000 **Tiszai Vegyi Kombinat Rt.** Initial Public Offering Global Coordinator	$159,500,000 **Titan Exploration** Initial Public Offering	$134,800,000 **Cincinnati Milacron** Common Stock
$120,400,000 **Varco** Common Stock	$115,000,000 **American Bankers** Convertible Preferred Stock	$115,000,000 **Greenfield Industries** Convertible Preferred Stock (TIDES)℠	$114,500,000 **Hexcel** Convertible Subordinated Notes	$114,300,000 **Banco de Galicia** Common Stock	$103,900,000 **CalEnergy** Convertible Preferred Stock (TIDES)℠
$103,500,000 **Newpark Resources** Common Stock	$99,400,000 **Genset** *Initial Public Offering*	$89,700,000 **Penske Motorsports** *Initial Public Offering*	$86,800,000 **ChiRex** *Initial Public Offering*	$76,100,000 **Education Management Corp** *Initial Public Offering*	$59,800,000 **Team Rental** Common Stock
$58,300,000 **Allied Waste** Common Stock	$55,500,000 **Spartech** Common Stock	$48,300,000 **Komercni banka** Common Stock	$33,000,000 **TB Woods** Initial Public Offering	$25,000,000 **Pannonplast** Common Stock	$10,000,000 **Brilliant Digital Entertainment** Initial Public Offering

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CNA Financial ahead of trend

By John Authers in New York

CNA Financial, now the largest US insurer covering the corporate market since its 1995 merger with the Continental Corporation, yesterday announced it had increased net profits 27 per cent, from $757m in 1995 to $964.8m last year.

These results were ahead of the trend for the insurance sector. Most of the qnoted insurers that have announced their earnings so far have suffered slow overall growth.

Many have had to take charges for catastrophe losses. Some have also taken charges to clear from their books losses from asbestosis and environment claims.

Slow overall growth in premiums has also affected results, particularly for companies operating in the crowded corporate insurance sector.

However, strong stock markets provided investment gains which bolstered insurers' net profit figures.

CNA made investment gains of $387.1m for the year, up from $294.4m in 1995. Excluding these gains, its overall net income rose from $462.6m to $577.7m.

It announced it intended to continue its aggresslve expansion into products that attempt to securitise insurance risk, allowing companies to buy reinsurance through the capital markets.

Its losa experience improved during the year.

Allstate, the second largest personal lines insurer, announced an increase in net profits of 9 per cent for the year, up from $1.9bn to $2.07bn.

Its profits for the fourth quarter were up 49.9 per cent from the equivalent period in 1995, from $397m to $595m. But the company's performance for the year was barmed by tbe $248m after-tax charge it took during the third quarter.

Its catastrophe losses increased 6.1 per cent, from $607m to $644m.

The Hartford, formerly known as ITT Hartford, the third largest corporate insurer, reported an overall $99m net loss for the year, owing to a non-recurring charge of $543m it took in the third quarter.

Chubb, the eighth largest corporate insurer, saw net income slip from $696.6m to $694.7m. Total premiums written grew 10.9 per cent to $4.8bn, hut catastrophe losses, which more than doubled from $63.7m to $141.7m, prevented the company from increasing its profits.

The company is looking for a huyer for its life insurance operations.

Cigna, whosa operations run from property and casualty to life assurance and health management, announced record profits.

Operating income, excluding investment gains, was $1bn in 1996, compared with $882m ln 1995, which excluded a charge of $849m to cover ashestos and environmental charges.

Cigna said its priority was to increase its revenues, which fell slightly from $18.96bn to $18.95bn, mainly because of static income from premiums.

Its catastrophe losses increased from $37m to $48m for the year.

Votorantim task is to keep pot boiling

Brazilian group's problems are a big family and the need to spend wisely, says Geoff Dyer

Forty years of supplying 40 per cent of the Brazilian cement market has left Grupo Votorantim, Brazil's largest family company, in an enviable position – it has deep pockets, experienced management and is based in a country hursting with expansion opportunities.

For many small family groups in Brazil, the liberalisation of the economy since the start of the decade has left them looking down the barrel at more sophisticated foreign competition, without tbe capital to huy new technology.

However, for Votorantim the dilemma is different – where should it invest its resources, garnered from decades of strong positions in once-protected markets, in an economy wbere deregulation and privatisation have ushered in wlde-scale restructuring?

The message from the fourth generation of family management is more of the same. "We are not going to expand into areas like telecoms where we do not have the technology. We will concentrate our resources on areas where we already have skills," says Mr José Ermírio de Moraes Neto, the 44-year-old presldent, and great-grandson of the founder of Grupo Votorantim.

Votorantim is not just Brazil's biggest family owned enterprise, it is the higgest private sector company in the country in terms of net assets.

As well as its market leadership in cement, it is Brazil's second largest paper and aluminium manufacturer, third largest orange juice prodncer, and the owner of a substantial mining business and an investment bank. Its 50 companies had total annual sales in 1995 of $4.2hn.

Founded in 1918, the group has huilt up this commanding industrial portfolio through sticking to its core skills in raw materials and basic manufactured products, comhined with heavy and consistent investment – $2.4bn in the past four years alone.

Mr Ermírio de Moraes says the group intends to maintain these hasic principles while expanding in two areas – mining and electricity generation.

Votorantim is one of the groups lining up to huy a stake in Companhia Vale do Rio Doce (CVRD), the state-owned mining giant, which is to be privatised later this year, with a 40-45 per cent stake being sold to a consortium of industry investors.

Mr Ermírio de Moraes will not say who lts eventual co-bidders will be, although Votorantim does have an existing partnership with Camargo Çorrêa, the construction group, and Bradesco, the country's biggest bank. It has also been holding talks with a number of pension funds.

CVRD is an attractive prospect because it is involved in many of Votorantim's tradltlonal activities, such as aluminium, paper and cellulose, in addition to mining. CVRD also has a well-developed transport sy_tem, which would be useful for Votorantim's cement businesses, for instance.

The state-owned mining group would also help give Votorantim's operations a greater international scope. Mr Ermirlo de Moraes stresses that he has no plans to acquire companies outside of Brazil, but it does want to increase its exports, which currently make up 25 per cent of sales. "CVRD is one of the best ways for us to participate in the globalisation of the world economy," he says.

The other area where Votorantim is looking to expand is the electricity industry, which is about to see a wave of privatisations ln Brazil. The group is already the largest private generator of electric power in the country, all for its own consumption. It is now looking for acquisltlons which will take it into the distribution business as well.

The opening of the Brazilian economy has increased foreign competition for Votorantim as well, notably in the cement sector, where Holderbank of Switzerland and France's Lafarge Copée have made large acquisitions in Brazil. Mr Ermírio de Moraes claims that continued investment – anotber $700m is planned for existing businesses this year – has allowed it to withstand the pressure.

However, wbile the group's strategy is clear, the development of its management and ownership structure is not. Votorantim is controlled hy a holding company, Hejoassu, whose four sbarebolders are the third generation of family members, including Mr Antônio and Mr José Ermírio de Moraes, the two brothers who have run the group for the past two decades.

All the important decisions are taken by these four and must he approved unanimously. They are helped hy an advisory board, whose eight members are from the next generation of the family and who all have senior executive roles in the group. (The most senior managers from outside the family are on the boards of subsidiary companies, although thera are no rules to impede their promotion.)

The typlcal dilemma for family companies is that the third or fourth generations lose interest in management. Votorantim's critics say it has the opposite problem: too many chiefs.

José Ermírio de Moraes Neto: gronp plans to stick to core activities, plus mining and power generation Bel Pedrosa

In theory, the snccession issue was solved with the appointment of Mr Ermírio de Moraes as presldent; however Brazilian business consultants have long predicted that the ownersbip structure will prove unstable when the third generation dies and its stakes are sub-divided.

The "constant dialogue", to which Mr Ermírio de Moraes attrihutes Votorantim's success, will become more difficult as the group of sharebolders expands. And even he admits that the future is unclear. "You cannot rule out that the next generation will want to sell their sbares," he says.

This is the third in o series on Latin American fomily owned companies. Previous orticles oppeared on January 17 and January 28.

Sheraton, Koor in Mideast venture

By Judy Dempsey in Jerusalem

ITT Sheraton, the US hotels and casino group, and Koor, Israel's largest industrial group, yesterday formed a partnership aimed at expanding hotel capacity in Israel and the Palestinian self-ruled territories.

It is the first time a large international group has considered such a move.

Mr Bob Cotter, president of ITT Sheraton Europe, made the announcement after the group took a 51 per cent eqnity stake in Koor Hotels and Resorts, a subsidiary of Koor Industries. The remainder will be held by Koor Hotels. The cost was not disclosed.

In Tel Aviv, Koor's shares closed down 1.5 per cent at Shk352.16.

"This partnership sets the stage to grow thronghont the region. We want to identify a Palestinian partner so that we can look towards estahlishing hotels in the Palestinian territories," Mr Cotter said.

Analysts said the combination of Koor's knowledge and contacts and Sheraton's worldwide marketing network would give *Sheraton Israel*, the name of the new partnership, a head-start on its competitors in the region.

Under the terms of the partnership, Sheraton Israel will manage four hotels, all located in tourist centres.

Mr Cotter said his aim was to increase the number of rooms from 1,200 to 2,500 "within the next two or three years", adding that the continnation of the peace process would hoost tourism in Israel and the region.

Mr Benjamin Gaon, president and chief executive of Koor, which has recently invested more than $100m to develop its tourist division, said the partnership was in line with the gronp's aim of seeking more global alliances.

Koor's revennes during the first nine months of 1996 totalled $2.65bn, compared with $2.59bn over the same period tbe previons year. Net profits climbed 9.4 per cent to $154.3m.

Mr Gaon has taken an interest in the developmeot of economic and trade links with the Palestinian-ruled areas of the West Bank and Gaza. He is organising a meeting between the Israeli and Palestinian business communities in an attempt to forge snch contacts.

The Israel Hotels Association has said it hopes for an upturn in the tourist industry this year. Last year, violence and hombings in Israel's cities caused tourist arrivals to drop 8 per cent to 2.3m from tbe previons year.

AMERICAS NEWS DIGEST

WMX turns down Soros board plan

WMX Technologies said yesterday that a slate of directors proposed hy an investor group led by the financier Mr George Soros did not qualify for consideration at the company's annual meeting this year.

However, WMX said its board was committed to search for the best possible candidates, and its nominating committee had agreed to consider these individuals for the company's slate later this year.

On Tuesday the Soros group expressed dissatisfaction with WMX's recently announced restructuring plan and nominated a slate of four candidates be elected as WMX directors. *Reuter, Oak Brook, Illinois*

Viasa investors meet next week

Shareholders in the grounded Venezuelan airline Viasa will meet on February 20 finally to decide whether or not to seek bankruptcy for the struggling carrier, the company said. Late last week, the airline's majority shareholders – Venezuela's National Investment Fund (FIV) and Spanish airline Iberia – postponed the meeting, originally set for last Saturday, at which the carrier's fate would have been decided.

The FIV, Venezuela's government body in charge of privatisation, said lt wanted to allow time for a rescue plan, launched on January 28 in Madrid, to proceed. According to the financing plan, Iberia would refinance Viasa's debt while the FIV would invest $25m in the enterprise. But the rescue plan also involves more than 300 joh cuts and has yet to be approved by workers.

The airline suspended all flights on January 23 after workers rejected a previous cost-cutting proposal by Iberia that included 440 job losses, a wage freeze and dropping unprofitable routes. If the latest proposal is approved, the FIV has said Iberia will probably retire from managing the airline. It is also looking for a new investor willing to run and recapltalise the company. *Reuter, Caracas*

Norfolk starts Conrail tender

Norfolk Southern, the US railway company which is pursuing a $10.5bn hostile bid for Conrail, the smallest of the three big eastern railways, yesterday began a tender offer for all Conrail's shares at a price of $115 a share in cash. However, the move is largely symbolic because Norfolk Southern is prevented from acquiring the shares by the tough anti-takeover laws operating in Conrail's home state of Pennsylvania, which were designed to fend off corporate raiders.

Norfolk Southern has already hought 9.9 per cent of Conrail's shares at $115 a share, but cannot acquire more without running into anti-takeover laws. Mr Scott Flower, an analyst at PaineWebber, said: "Norfolk Southern cannot close or effect the tender, but the act of having it out there indicates their serious intent and willingness to proceed with the acquisition if some of the impediments them were removed."

Conrail has rejected Norfolk Southern's offer because it wants to accept a $9.4bn agreed offer from CSX, the other hig eastern railway. It is protected from Norfolk Southern's approach by a number of "poison pill" provisions as well as Pennsylvania's anti-takeover law. *Richard Tomkins, New York*

Campbell Soup in stock split

Campbell Soup said yesterday its board of directors had approved a 2-for-1 stock split. It also said that net sales for its second quarter rose 5 per cent to a record $2.32hn, while earnings per share were also a record, providing "strong evidence" that lts strategic growth plan was on track.

US sales for the quarter rose 1 per cent to $1.38bn from $1.36bn a year earlier, driven by 9 per cent growth in wet soup sales and 4 per cent growth in wet soup volume. Operating earnings rose 14 per cent to $364. *AP-DJ, New York*

Time Warner closer to revamp

Time Warner has reached a "conceptual understanding" with Its partner US West on a restructuring that would enable Time Warner to cut its cahle holdings and shed some of its deht hurden, analysts said, citing comments made at an analysts' meeting after the release ofTime Warner's fourth-quarter results this week.

However, company officials said no deal with US West was imminent. Analysts said the proposal under discussion called for US West to exchange its holding in Time Warner's movie studio and HBO for several million cable subscribers.

Under this scenario, US West would assume several million dollars of Time Warner debt, they said. *AFX News, New York*

Applied Materials pleases market

By Louise Kehoe in San Francisco

Shares of Applied Materials, the leading supplier of semiconductor manufacturing equipment, rose sharply yesterday after the US company reported higher than expected operating results and the stock was upgraded by several analysts.

Applied was trading at $51¼ in mid-session yesterday, up $6¼ from Tuesday's close of $45½.

Reporting after the close of trading on Tuesday, Applied posted net income of $29.6m, or 16 cents a share, for its first fiscal quarter, ended January 26.

Tbis was down sharply from net income of $171.6m, or 93 cents, in the same period a year ago. However, the latest quarter's results included a pre-tax charge of $59.5m, or 32 cents a share after tax, related to acquisitions. Net income, excluding the charges, of 48 cents compared with Wall Street estimates of about 44 cents.

Although revenues declined 16.5 per cent year on year, from $1hn in the first quarter of fiscal 1996 to $835.8m, orders booked during the quarter were much higher tban analysts had expected at $904.7m, up 32 per cent from the previous quarter.

Orders were swelled with several "strategic huys" hy a few hig customers which were preparing to expand output, the company said.

Sales of chip-making equipment have slumped in the past year as semiconductor producers cut capital spending. The trend has been driven hy softness in the market for semiconductor chips, particularly memory devices which have been in oversupply.

The growth in orders signalled a turnround in the semiconductor production equipment sector, although analysts said strong growth might not resume for another year.

Capital investment in semiconductor manufacturing equipment for advanced chip products had strengthened over the past quarter, said Mr James Morgan, Applied chairman and chief executive.

"We see a growing long-term demand for semiconductor manufacturing equipment as semiconductor devices hecome more complex and their applications expand," Mr Morgan said.

Demand for new equipment from makers of microprocessors and other types of logic chip would strengthen this year. However, he expected memory chip makers to be "selective" in their purchases of equipment until the current overcapacity was absorbed, he said.

Prices of memory chips have fallen sharply over the past year. Recently, however, several leading memory chip manufacturers in Asia have announced plans to reduce their output and prices are beginning to stabilise.

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This announcement appears as a matter of record only.

The Financial Times plans to publish a Survey on

New York State

on Wednesday, April 9

This will be the Financial Times first survey on New York and will explore the economic, political, financial, and industrial environment of the state. With city and state political leaders both dedicated to accelerating economic growth, the prospects for the future will also be examined. The state is currently waging a campaign to attract new business with the aim of making New York the Empire State once again. The survey will also examine the state's other industries including tourism, agriculture, electronic and telecommunications equipment. For advertising information and a copy of the editorial synopsis, please call:
William MacLeod in New York Tel: +1 212 745 1343
Jenny Middleton in London Tel: +44 171 873 3794
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FT Surveys

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SERIE N°93/94-7, TRANCHE 1
SGA SOCIETE GENERALE ACCEPTANCE N.V.
USD 175 000 000 ZERO COUPON ASTARIS OPEN-END
INVESTMENT FUND (SICAV)
LINKED NOTES DUE JULY 29, 1999
ISIN CODE : XS0052131777

AND

SERIE N°94/94-7, TRANCHE 1
SGA SOCIETE GENERALE ACCEPTANCE N.V.
USD 175 000 000 ZERO COUPON ASTARIS OPEN-END
INVESTMENT FUND (SICAV)
LINKED NOTES DUE JULY 29, 1999
ISIN CODE : XS0052131934

Notice is hereby given to the Noteholders that the above mentioned Notes are not anylonger indexed on the "Compartment 2" of the Astaris SICAV registered in the Register of Commerce and Companies in Luxembourg but on the "USD Financial" compartment of the Astaris p.l.c. (an umbrella type open-ended investment company with variable capital) registered under the laws of Ireland. This change in the domiciliation of the Fund is made without prejudicing the rights of the Noteholders.

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Floating Rate Notes 1999

The notes will bear interest at 6.4375% per annum for the interest period 11 February 1997 to 12 May 1997. Interest payable on 12 May 1997 will amount to £158.73 per £10,000 note and £1,587.33 per £100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

CBA climbs 11% as debt charges fall

By Nikki Tait in Sydney

Commonwealth Bank of Australia, *the commercial bank* fully privatised last year, yesterday announced a better-than-expected after-tax profit of A$602m *(US$460m)* in the six months to snd-December, as strong lending growth offset a squeeze on interest margins.

The result was *an* 11 per cent improvement on the A$542m reported a year ago. It was helped by a 25 per cent fall in charges for bed and doubtful debts, from A$57m in the first half of 1995-96 to A$43m.

However, underlying profits – scored before this charge, goodwill write-offs and tax – also grew, by 6 per cent to A$980m.

Earnings per share rose even more strongly, by 17 per cent to 66 cents, with the bank's A$1bn share buy-back last year adding around 3.5 cents a share. The interim dividend is being raised by 7 cents, to 45 cents a share. CBA shares rose 50 cents to A$13.91 on the news.

During the half-year, lending volumes rose sharply, to A$86.6bn, a 14 psr cent increase ovsr the *December 1995 figure*.

Housing loans were 14 per cent higher at A$36.6bn, whils business lending increased by 8 per cent.

Mr David Murray, managing director, attributed the growtb in part to the group's aggressive stance on home-loan rates. CBA is Australia's largest home lender, and has been at the forefront of efforts by the country's banking sector to combat growing competition from non-bank lenders.

"The bank's decision last June to lower the standard variable home loan interest rate resulted in home lending growth above expectations," be said.

However, the impact of increased competition in the home-loan market was also evident in the squeeze on CBA's domestic interest margins. These fell from 4.55 per cent a year ago to 4.06 per cent.

Overseas margins were slightly lower at 2.16 per ceot compared with 2.20 per cent, while margins for the group overall fell from 4.12 per ceot to 3.71 per cent. Interest income stood at A$4.06bn, after A$3.75bn a year earlier, and interest expense at A$2.34bn, compared with A$2.01bn.

CBA showed no sign of deviating from its strategy yesterday, announcing a further cut of 0.7 percentage points in its standard variable bome loan rate, to 7.55 per cent. The move came less than 24 hours after Australia's central bank governor indicated official interest rates were unlikely to fall further in the short-term. But Mr Murray said that views within CBA were fairly evenly split on whether a further easing would occur.

CBA saw operating expenses increase 3 per ceot to A$1.52bn in the six-month period. Staff productivity increased 3 per cent, and the cost-to-income ratio fell from 60.9 per cent to 60.3 per cent.

CBA said that in the light of the interim result, it expected a "slightly better-than-expected" result for the full year.

UTI aims to recapture its former glory

The long-delayed appointment of Mr G. P. Gupta as chairman *of Unit Trust* of India comes at a critical time for the country's most important fund manager.

The 33-year old mutual fund group has been facing both an unprecedented outflow of funds from redemptions, and increasing scrutiny of its operations over the last two years.

Mr Gupta, appointed in January, was previously executive general manager with Industrial Development Bank of India, the development finance institution.

He believes his task is to expand UTI as a broad-based financial services conglomerate. The mutual has nearly 50m unitholders and funds under management of more than Rs550bn ($15.34bn).

"We want to bring it back to its nld glory," Mr Gupta says.

The success or otherwise of his efforts will have a significant impact on the Indian capital market.

UTI is not as dominant as it was in ths early 1990s, before economic liberalisation, when it was the chief alternative to banks and direct equity holdings for private investors.

Nevertheless, it still has an investment portfolio equivalent to about 11 per cent of the *market* capitalisation of the Bombay Stock Exchange. Its true influence is even greater, as Bombay's market capitalisation takes into account the government holdings in many of tbe state-run companies that are only partially-listed.

To meet growing competi*tion from domestic and for*eign mutual funds, Mr Gupta's priority will be to increase fund raising, by improving *customer service* and branch infrastructure.

UTI will also seek custom from India's banks, which are allowed to invest up to 5 per cent of their incremental deposits in shares, but have been reluctant to do so in tha past.

Mr Gupta says fund raising for money market schemes has been strong in UTI's current fiscal year to June. But the amount collected for equity scbemes has lagged behind the target.

Redemptions have eased considerably in the last six months, be says, after more than two years of heavy outflows. These forced it to become a net seller on the Indian share market fnr much of that time.

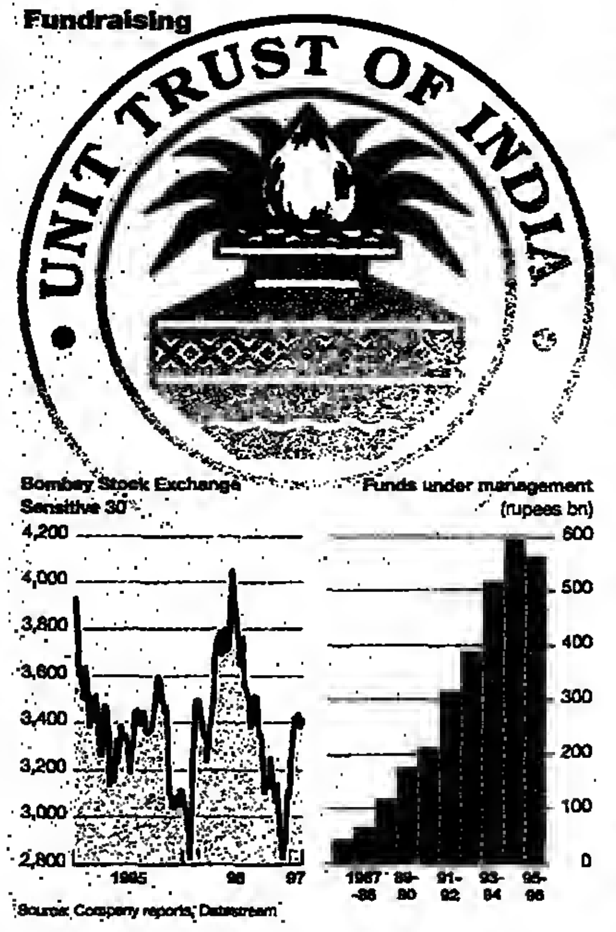
Redemptions from UTI funds rose from Rs36.31bn in 1993-94 to Rs125.42bn in 1994-95, easing to Rs108bn in 1995-96.

These were both an effect and a cause of the poor performance of the Indian share market since late 1994.

The outflow *and market* slump combined to force UTI to cut its dividend in 1995-96 for the first time.

While boosting fund raising, Mr Gupta appears to be tnning down UTI's earlier plans for a wide-ranging restructuring.

Fundraising



Source: Company reports; Datastream

The group had drawn criticism concerning the transparency of its operations and allegations *of conflicts* of interest over its close links with other financial institutions, and witb the government.

A spur to criticism was a deal in 1994, by which UTI bougbt some Rs7.7bn of shares in Reliance Industries at Rs385 each – a level far above the then market price.

Mr Gupta's predecessor, Mr Jagdisb Capoor, had planned a rastructuring to improve the transparency and accountability of the trust.

Tbe restructuring plan would have set up a holding company. UTI would have offered shares in it to financial institutions and tbe Indian government.

This vebicle would then have set up an asset management company to oversee all tbe fund mangement companies.

Tbe holding company would also have beld stakes in UTI's other operations, such as its retail banking, stock broking, share registry and insurance arms, and a planned credit rating service.

But Mr Gupta says he is precluded from carrying out such a restructuring by the UTI Act, which governs the trust's operations.

"Until tbe governmeot changes the Act, we cannot proceed with *restructuring*," be says, adding that there appears to be little immediate sign of that.

In the meaotime, *Mr* Gupta plans to set up asset management committees to oversee the different mutual fund schemes. They will report to UTI's trustees.

These committees would operate independently and compete for funds and investment opportunities.

This is unlikely to assuage all criticism. The links with other financial institutions will continue, with their representatives sitting on *UTI's* board of trustees.

Although Mr Gupta says there is no government interference in the operations of UTI, critics assert its influence permeates the trust.

Mr Gupta concedes that his appointmeot was indirectly approvsd by tbe government.

Critics have also long called for UTI to declare regularly a net asset value for its US-64 scheme, the largest mntual fund in India and the trust's flagship. This is seen as a test of the trust's commitment to transparency.

"We will do it. We just have not decided when," Mr Gupta says.

Mr Gupta is hoping that the February 28 budget will lead to a sustained rally on the equity market. He believes the budget should cootain reforms whicb could boost the confidence *of retail* and foreign investors.

"We sbould see an improvement from then," he says.

Tony Tassell

Lower metal prices cut profits at WMC

By Nikki Tait

Lower metal prices and the rising Australian dollar caused WMC, the Australian resources group, to post after-tax profits in the half-year to end-December sharply lower at A$100.7m (US$76.9m). The group made A$186.2m a year earlier.

Revenues slipped from A$1.2bn to A$1.17bn, while earnings per share stood at 9 cents compared with 16.8 cents.

The interim dividend is reduced to 6 cents a share, after 11 cents a year ago.

The company also said it had revised the construction and production schedules for the expansion of its Olympic Dam copper-uranium mine in South Australia.

This should enable it to reach the output target of 200,000 tonnes a year of refined copper – and the associated targets for uranium, gold and silver output – by the end of 1999, rather than 2001.

However, it will lift the cost of the expansion to A$1.48bn – including a A$120m allowance for cost escalation – from the previous estimate of A$1.25bn.

The company blamed the downturn principally on lower nickel and copper prices. Cash prices on the London Metals Exchange were down 16.7 per cent and 29.9 per cent, respectively, in US dollar terms on the previous year, while the Australian dollar appreciated by about 6.4 per cent.

As a result, profits before abnormals from its nickel interests fell from A$151.9m to A$64.4m, while tbe copper-uranium division made A$46m compared with A$78m a year earlier.

A lower realised gold price also pushed down earnings from these interests, from A$28.3m to A$17.4m.

A one-off charge of A$5.5m was taken at the St Ives goldmining operations for "workforce restructuring", pushing up costs, while there was an A$8.4m charge for the same reason at the Kambalda nickel business.

WMC's 40 per cent interest in the Alcoa World Alumina and Chemicals group contributed A$77.9m after tax, compared with A$85m.

WMC said that the downturn resulted from lower alumina and aluminium production, reflecting refinery cutbacks introduced last June and whicb were still in place.

The A$107m bottom-line profit was scored after a A$10.6m abnormal cbarge, which reflected s A$22.4m after-tax write-down of the Nifty Copper operation, partially offset by a profit on the sale of some oil assets. There were no abnormal charges in the previous year.

However, analysts bad been warned of the likely profit fall and tha result was within the range of expectations. The shares rose 10 cents to A$7.95.

The company also signalled improved prospects on the back of more favourable metal prices and exchange rates.

"All things being equal, the current balf will be markedly better than tbe first," Mr Hugh Morgan, managing dirsctor, said yesterday.

Weaker yen helps Canon rise 56%

By *Jonathan Annells* in Tokyo

Cannn, the Japanese manufacturer of office equipment and camsras, announced a 56 per cent jump in parent recurring profit.

The increase was fuelled by strong demand for compnter-related products and a weaker yen.

Parent recurring profit for the year to Decsmber 31 reached a rscord Y125bn ($1bn), compared with the Y80bn reported in the previous year.

Net profit rose from Y44bn in 1995 to Y59bn.

Sales of computer peripherals and cameras far exceeded the company's own expectations.

Business machines, peripherals and photocopiers contributed more than 80 per cent of total sales, which increassd 13.4 per cent tn Y1,400bn.

Canon derives 79 per cent of its sales revenue from abroad.

Sales of computer peripherals surged 22.7 per cent, much higher than the 9.3 per cent growth Canon was looking for.

The company's camera business was surprisingly robust.

Sales increased 20.6 per cent, against a forecast 5 per cent, helped by the unexpected success of Canon's new Advanced Photo System compact cameras.

Sales of optical products – including steppers, which are used in the manufacture of semiconductor memory chips – grew 17.5 per cent.

However, this was weaker than the company's projected 50 per cent growth.

Small declines were recorded in tbe sales of photocopiers and business information machines, including faxes.

The personal compnter boom has swelled demand for printers, because in both the US and Japan it has *coincided* with a *significant* reduction in the number of personal computer terminals for every printer.

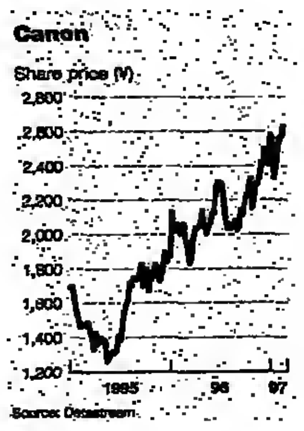
Mr Reinnier Dobbelmann, analyst with *SBC Warburg*, said: "It is the home office. This is the big kicker behind demand, because you don't have networked personal compnters."

By contrast, demand for steppers has fallsn off, as semiconductor manufacturers have been forced to rein in their capital expenditure plans after a period of over-expansion.

Analysts said the smaller than *forecast* growth in Canon's stepper sales was still good, following as it does a 27 per cent increase in 1994, *and 60 per cent* in 1995.

Canon estimates that non-consolidated sales will reach Y1,510bn in 1997, while

Canon



Source: Datastream

recurring profit is expected to grow to Y137bn.

Net profit is forecast at Y74bn.

Standard Chartered

Standard Chartered PLC

US$400,000,000 Undated Primary Capital Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Determination period from 13 February 1997 to 13 March 1997 the Notes will carry interest at the rate of 5.75 per cent per annum.

Interest accrued to 13 March 1997 and payable on 14 July 1997 will amount to US$44.72 per US$10,000 Note and US$447.22 per US$100,000 Note.

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Sega, MHI eye link-up

By Michiyo Nakamoto in Tokyo

Sega and Mitsubishi Heavy Industries are considering co-operating on the development of high-tech amusement centres, the companies said yesterday.

Sega, which plans to expand its amusement park business globally, and MHI, which has expertise in simulation technology, are discussing ways in which tn bring their strengths together to develop urban amusement centres.

The two companies have signed a memorandum of understanding to explore co-operation, but details have yet to be agreed, Sega said.

Sega's sales from its amnsement centres increased nearly 11 per cent to Y82.1bn ($667m) in the fiscal year to March 1996, at a time when sales of its consumer video games fell 10 per cent to Y169.5bn. Sega also supplies machines to amusement parks, an activity which provided 35 per cent sales growth last year, to Y85bn.

The video games maker is aggressively expanding its amusement park business, *with new parks in London's* Trocadero and Sydney's Darling Harbor, as well as in Singapore and Thailand.

In the *current fiscal year*, Sega GameWorks, its joint venture with MCA and DreamWorks, the US entertainment companies, plans to open 10 family entertainment centres in the US. The company is aiming to open 100 amusement centres throughout North America within five years.

MHI has a small but growing business in the development and construction of leisure parks – part of its shipbuilding and steel structures divisinn, wbich accounted for 14.5 per cent of overall sales of Y2,789bn last year.

The heavy machinery maker developed Sea Gaia, a leisure park in southern Japan. It is also building a large leisure park in Taiwan.

A tie-up would combine Sega's *software* expertise with MHI's skills in advanced machinery. MHI, which is the leading supplier nf equipment to Japan's Defence Agency, has particular strengtb in simulation technology.

ASIA-PACIFIC NEWS DIGEST

Higher tax bill hits Seven Network

Seven Network, the Australian commercial television network controlled by Mr Kerry Stokes which is a part-owner of the MGM film studios in Hollywood, yesterday announced an after-tax profit of A$63m (US$48.1m) in the balf-year to end-December, down from A$91.9m in the same period a year ago.

The decline, however, was due to an increase in the tax charge, from A$900,000 a year ago to A$34.3m. Earnings before interest and tax rose slightly, from A$97.5m to A$101.5m. Sales revenues were 16 per cent higher at A$118.3m.

The company said its coverage of the Atlanta Olympic Games, for which it held the Australian rights, resulted in "a small gross profit".

The company did uot include any profits from MGM in the figures, as its investment in the studio – in a joint venture with Mr Kirk Kerkorian, the US businessman, and MGM's management – took place only last October.

However, it said MGM posted revenues of US$228.7m and earnings before interest, tax, depreciation and amortisation of US$16.7m in the period from October 10 to December 31. *Nikki Tait, Sydney*

New service on Tokyo SE

The Tokyo Stock Exchange is to publisb a new, volume-weighted stock price average next year, providing a fairer measure of a broker's service to clients. From autumn 1998, the daily average price of each stock will be calculated on a real-time basis by dividing the value of each trade by the volume of sbares traded as each deal goes through.

The volume-weighted index will show fund managers how well tbeir brokers are serving them when executing orders "at discretion".

In the past, the understanding was that a broker at least equalled the closing price for the stock in question wben buying or selling. But this benchmark was easy to manipulate. By placing part of an order during the day and *raising prices at the close of trade by completing it*, a trader could seem to bave bettered the market in buying shares.

Brokers said that a fairer test was whether a trader matched the average price at whicb a *given stock traded* during the day.

Most foreign fund managers employ this yardstick, as the average can be calculated and given by a number of *on-screen stock-dealing information services*.

The chief impact is likely to be a slight change in trading patterns. The average should result in less volatile price movements towards the close of trading, as the incentive for traders to push up prices or drive them lower will have been removed.

Jonathan Annells, Tokyo

Southcorp sells drum unit

Southcorp, the Australian packaging, wine and appliance business, is selling its North American steel drum operations to Ohio-based Greif Brothers for an undisclosed figure. The business is split between Merced, California and Oakville, Ontario.

The Australian company said it was aiming to focus its North American packaging interests on the plastic packaging business whicb it owns in Atlanta, Georgia. *Nikki Tait*

Siam Cement upbeat

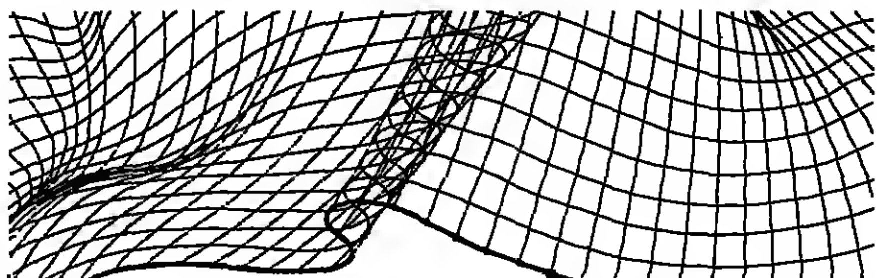
Siam Cement, Tbailand's largest cement maker, expects exports worth Bt1bn ($38.5m) in 1997, up from Bt696m last year, according to Mr Chakri Nandruengvanitch, marketing manager. Gypsum board exports are forecast to reach Bt550m and fibre cement board is expected to be Bt180m this year.

Supply in Thailand among cement producers is expected to outstrip domestic demand by 4m-5m tonnes in 1997, but exports, mainly to countries in south-east Asia, will assist sales. *AFX-Asia, Bangkok*

Samsung Electronics forecast

Samsung Electronics, the world's largest producer of computer memory chips, expects 1997 sales of telecommunications equipment and services to amount to Won3,800bn ($4.37bn) with domestic sales amounting to Won2,800bn.

The South Korean group's telecoms division is to invest Won240bn in new fscilities and another Won410bn in research and development. *AFX-Asia, Seoul*



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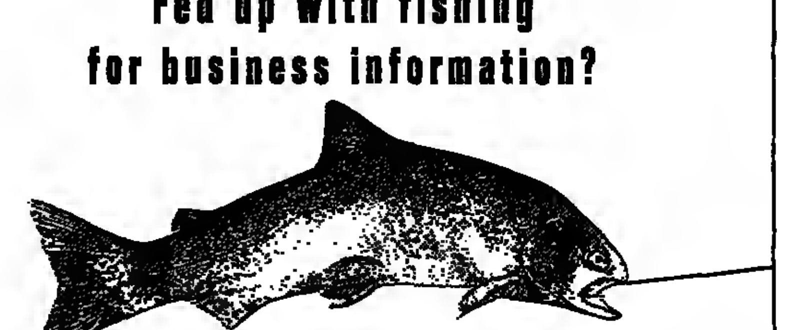

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FT Discovery

Bid battle intensifies in final days as predator takes stake in UK oil independent to 29.7%

Gulf makes job offer to Clyde chief

By Jane Martinson

Gulf Canada Resources yesterday offered a job to the head of Clyde Petroleum if its £494m ($805m) hostile takeover bid goes ahead next week.

The offer by Mr J P Bryan, the Canadian oil and gas group's president and chief executive, to Mr Roy Franklin, Clyde's managing director, came as the predator took its stake to 29.7 per cent and the two sides launched a new assault on shareholders.

With just three working days before the bid deadline next Tuesday, Mr Bryan said: "I think it's ours to lose at this point and that we are close enough. Obviously there's a long way to go before declaring a victory, but we are quietly confident."

In spite of Gulf's optimism, analysts warned that the bid was still close, with a handful of institutional investors holding the balance.

Capital Group of the US increased speculation that it would sell its 9.8 per cent stake after disclosing the sale of a sliver of shares – just 200,000 – yesterday. Capital, which is left with 40m shares, refused to comment on the sale.

The bid battle has been increasingly acrimonious since its launch in December, with Clyde accusing Gulf of criticising its assets and management. But Mr Bryan emphasised his "admiration" for Clyde's senior executive yesterday. "We plan to keep Roy Franklin," he said. With Gulf planning to move its international headquarters to London there would be "an exciting opportunity for somebody".

Mr Franklin replied: "My mind is on one thing and one thing only at the moment, and that's keeping Clyde independent. Speculating on an outcome that I am working bloody hard to prevent is not possible".

Gulf argued that falling oil prices since the beginning of the year would hit Clyde's share price if the bid fails. In late trading yesterday Brent Blend was trading at $21.10, down from a January high of $24.25. Gulf argued that Clyde's share price had tracked oil prices last year.

Clyde rejected the criticism, arguing that it was not "overly dependent on the level of oil prices for future performance".

Gulf was able to increase its stake in Clyde after PDFM sold 60.6m shares on Tuesday.

LEX COMMENT

UK inflation

The obvious beneficiary of public friction between the British government and the Bank of England is the Labour party. The more the current government appears at odds with the Bank, the easier it will be for Labour to play the virtuous alternative. And even better for Labour. It now looks as if the price of the Bank's support – at the outset at least – might be as little as a quarter-point interest rate rise. ertainly, the deputy governor's recent musings conspicuously lack the aggressive tone of December's monetary meeting, when the governor explicitly threatened to push for a half-point rise.

Yet this is unlikely to be the end of the story. Look further out and the Bank'e medium-term inflation forecast – rather at odds with its softly-softly noises on rate rises – is creeping up. The Bank also points out that independent forecasters are, on average, gloomier still. If such figures are right, reining in consumer demand to comply with the target could well take significantly more than a quarter-point rate rise.

That would be fine for Labour's anti-inflation credibility. But it would presumably have the unfortunate side-effect of fuelling sterling's strength, further hitting exports and strengthening consumers' purchasing power.

What is the answer to this policy dilemma? Whisper it not before the election, but if Labour means what it says about macroeconomic responsibility the obvious way out is to put taxes up.

Red cards snuff out British Gas flame

At 11.44am yesterday the overwhelming majority of the 473 British Gas shareholders who turned at Birmingham's National Exhibition Centre to vote on the company's proposed demerger dutifully raised their red voting cards.

Within a minute the electronically-projected British Gas logo disappeared from the backdrop behind the 12 directors, to be replaced by the new corporate identities of BG plc, the pipeline and international exploration and production business, and Centrica, the domestic gas trading and supply company.

Mr Richard Giordano, the chairman and chief executive, quickly reassured those present that their views on the wisdom of ending the 49-year life of British Gas were shared by the majority of other shareholders. Votes in favour of the demerger, first proposed last February, came from holders of 53 per cent of British Gas's 4.4bn outstanding shares. Only 27m shares were voted against.

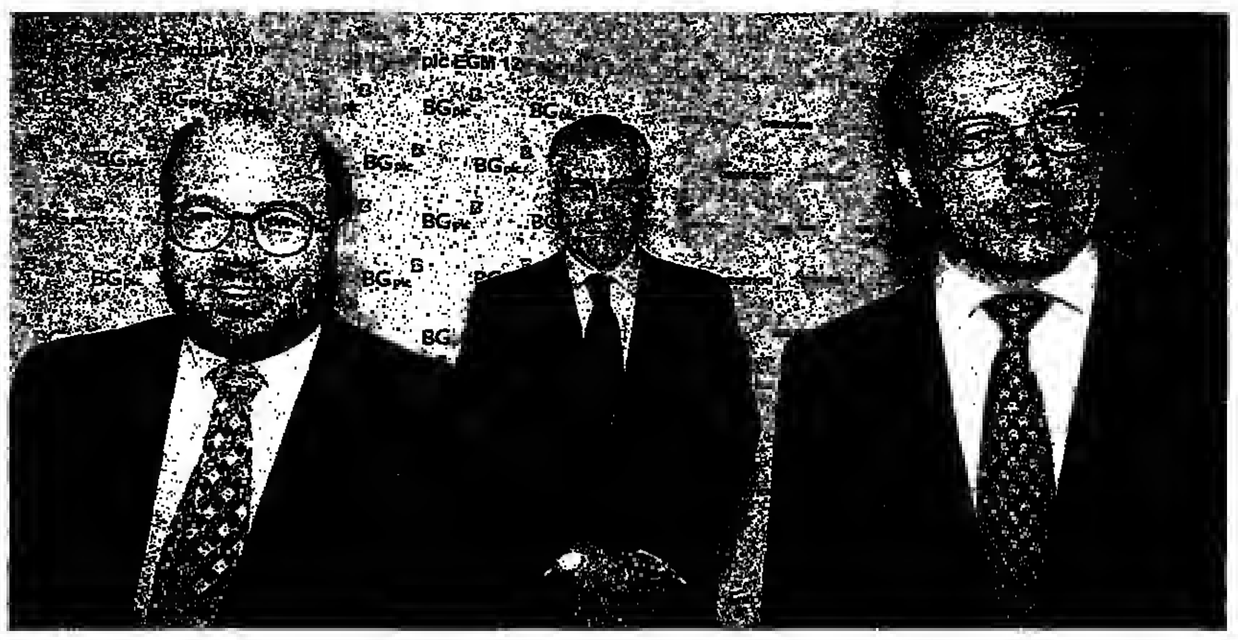
A total of 335,000 small private investors out of 1.7m –some of the remnants of the massed ranks of "Sids" who flocked to buy into the company when it was privatised as a monopoly in 1986 – voted by post. They backed the demerger resolution by a ratio of 10 to one. All of the institutional shareholders also approved the deal, said Mr Giordano.

Yesterday's meeting had none of the tension or anger that marked its rowdy, marathon annual general meeting in London two years ago at the height of the "fat cat" scandal over the pay of Mr Cedric Brown, the former chief executive.

A photo call saw some last minute manoeuvering to ensure that Mr Roy Gardner of Centrica and Mr David Varney of BG plc stood in front of their appropriate logos.

Formal trading in the shares of the two groups begins on Monday. An informal "grey market" has been operating since Monday.

The rise of Centrica's share price this week showed that "both companies will have a following," said Mr Giordano. "But we need a lot of trading days to see the relative value between the two."



Triple exposure: David Varney (left) and Roy Gardner step forward in new roles, while Richard Giordano (centre) looks on

Charlie Bibby

US fund claims Pearson stake

By Richard Waters in New York

Mr Michael Price, one of the best-known activist shareholders in the US, yesterday said that he had taken a 1 per cent stake in Pearson, the UK media company, but described the investment as "passive".

The mutual fund investor said he had built the stake at a price of less than 700p ($11.14) a share late last year. "We believe that the company has got some of the best assets in financial publishing," he said.

He added, though, that be expected Pearson, the owner of the Financial Times, to be run better than it had been in the past, or face greater pressure in future to dispose of assets or succumb to an outright sale. A report that Mr Price's mutual fund group had emerged as a substantial shareholder contributed to a rise in the shares, up 15p to 763½p.

Ms Marjorie Scardino, chief executive of Pearson, commented: "We welcome all our shareholders – we believe it's going to be a very good investment."

Mr Price is best known for his agitation two years ago at Chase Manhattan. The pressure he brought on the New York bank was seen as the catalyst which led to Chase's eventual merger with Chemical Banking.

This year, he has emerged as a vocal opponent of plans by Dow Jones, the US business information group, to invest heavily in its Telerate on-line information business. The 1 per cent interest in Pearson is far smaller than the 6 per cent stakes that Mr Price's Mutual Series funds built in Chase Manhattan and Dow Jones.

The investor also said that the Pearson investment was one of a number he had made in media groups, including Mirror Group of the UK and various parts of Mr Conrad Black's media empire, and reflected a view that "there's value in the industry worldwide."

NEWS DIGEST

C&W reduces stake in NetCom

Cable and Wireless, the UK-based telecommunications group, yesterday sold just over balf its holding in NetCom Systems of Sweden, making a profit of £40m ($65m) on the disposal.

NetCom, created in 1993 to hold and manage the Scandinavian communications interests of Industriforvaltnings Kinnevik, is the sole owner of Tele2, the chief competitor in Sweden to Telia, the national operator.

C&W's stake in NetCom will fall from 10.1 per cent to 4.6 per cent as a result of the placing with Swedish institutions. Sale of the stock raised about £46m compared with a book valuation of £6m. Mr Stephen Pettit, C&W executive director, Europe, said: "Our shares in NetCom are held as a trade investment. This sale takes advantage of the excellent performance of the NetCom share price over the past few months and bas realised for our shareholders some of the value stored in our NetCom holding." C&W acquired the stake in September last year, swapping a 39.9 per cent stake in Tele2 for a 9.5 per cent stake in NetCom.

Alan Cane

Thermo wins Life Sciences

Thermo Instrument Systems, the world's largest manufacturer of scientific analytical instruments, said yesterday that it had won acceptances for 64 per cent of Life Sciences International, the laboratory equipment maker, in its £235.9m ($384.5m) recommended bid.

At the same time, Life Sciences reported a 15 per cent rise in pre-tax profits to £23.9m (£20.7m) for 1996. The outcome, was in line with expectations, came after an exceptional £7m restructuring charge and a £3.7m gain on the sale of foreign exchange contracts.

Thermo, which is 83 per cent owned by Thermo Electron Corporation, the Massachusetts-based technology company, announced its bid on January 21. It is expected to gain full control after regulatory clearance.

The shares were unchanged at 132½p, just below Thermo's 135p cash offer.

Jane Martinson

Visual Action jumps to £8m

Visual Action Holdings, which supplies broadcasting equipment for such occasions as Premier League football matches and President Clinton's State of the Union Address, lifted profits by 20 per cent last year. Shares in the group, floated at 185p in March last year, rose 22½p to close at 205p.

Pre-tax profits of £8.3m ($13.5m) for the year to December 31 were struck on a 25 per cent rise in turnover to £95.1m.

Mr Bob Ellis, chief executive, said the growth had been driven by the audio-visual division, which had more than offset a disappointing year for some parts of the film services division. He warned, however, that the strength of sterling would affect profits this year as 75 per cent are earned outside the UK. Last year strong growth on the US West Coast coupled with two acquisitions helped the audio-visual division to almost double operating profits to £4.46m (£2.32m) on a 55 per cent rise in sales to £40.1m.

S&S Holdings, a Chicago-based hirer of equipment for presentations and conferences, contributed £210,000 to profit and £3.59m to sales since its acquisition for £8.5m in September. The group said the deal marked its first expansion in the US away from the West Coast, and predicted further growth as it spread into new areas of the US.

David Blackwell

Cadbury swallows Bim Bim

Cadbury Schweppes has bought a chocolate and sugar confectionery producer in the Middle East and North Africa as a springboard for growth in the area.

An undisclosed sum was paid for Bim Bim, a family-owned company which was established in Cairo in 1961. It made a "reasonable" profit on sales of £32m ($52m) last year, up 7 per cent from a year earlier, Cadbury said.

Bim Bim has 26 per cent of the Egyptian confectionery market and 13 per cent in the Middle East and North Africa, while Cadbury has an additional 8 per cent of the national and 5 per cent of the regional market.

LAL sets aside further £14m

By George Graham, Banking Correspondent

Lloyds Abbey Life, the life assurer now wholly owned by the Lloyds TSB banking group, has boosted its provisions to cover the cost of compensating customers it wrongly advised to buy personal pensions.

LAL said it had set aside another £13.7m ($22.3m), holstering its total provisions for pensions mis-selling to £98.6m. Despite this, the company reported a 30 per cent increase in pre-tax profits to £548.1m for 1996.

The Government Actuary required life companies to make provisions for the expected costs of pensions mis-selling in 1994, though many companies have hidden their provisions within their actuarial reserves.

But costs have risen as the process of compensating the victims has dragged on. If LAL's experience is reflected at other life companies, the final bill for the whole industry, already estimated at up to £4bn, could rise by £600m.

Higher costs have come not just from interest accruing over time, but because company pension schemes are charging more than originally estimated to reinstate members who had been persuaded to drop out in favour of a personal pension.

In its last year of independence LAL lifted sales of annual premium life and pension products by 5 per cent to £127.4m, with single premium products up 6 per cent to £703.9m. Sales of unit trusts and personal equity plans, however, rose 56 per cent to £504.6m.

Medway seeks £70m to acquire US insurer

By Christopher Adams, Insurance Correspondent

Medway, a fledgling insurance company, plans to raise £70m ($114m) on Aim to fund the purchase of a US-based insurer, which it hopes will offer Lloyd's underwriters a way of selling into the licensed North American insurance market.

The float would be the biggest placing on Aim to date.

Medway was established in December by a group of industry executives. It has no trading record and is capitalised at just £100,000.

The capital raised from the listing, scheduled for late March, would be used to buy Hansa Re, a US insurer owned by Sweden's Trygg-Hansa, for $54m.

Hansa Re ceased taking on new business in 1993 after its parent decided to stop selling reinsurance overseas. Run-off liabilities of $40m are matched by assets.

Lloyd's bas for some time faced difficulties in writing direct insurance business in the US. A tough regulatory regime restricts it to selling mainly through licensed insurers only, which carries additional costs.

The insurance market has therefore relied more on non-regulated markets like aviation and marine insurance or "surplus lines" for much of its $4.5bn premium income in the US. Surplus lines comprise complex or hazardous risks.

In its role as a licensed "front" company, Medway will be offering underwriters at Lloyd's a service already provided for a fee by some other companies.

But Mr Emmanuel Olympitis, who resigned as head of broker Johnson & Higgins' UK business in October to become chief executive of Medway, argues that demand from underwriters for fronting arrangements has grown as Lloyd's grip on surplus lines has slipped.

Some underwriters welcomed the news, but others suggested Medway might need strong statements of commitment from the underwriting community to raise such a substantial amount of capital on Aim.

Mr Olympitis said Medway would be dedicated to Lloyd's and would not poach business from the insurance market. It has no security rating but plans to apply when it starts trading. Hansa Re had an A-minus rating from AM Best.

This announcement appears as a matter of record only.

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December 1996

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 13.02.97: Pool purchase price £/MWh	Final Prices for Trading on 16.01.97: Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.68	23.01	24.48
0100	11.68	23.01	24.48
0130	25.97	31.03	32.51
0200	25.97	31.03	32.51
0230	25.97	31.03	32.51
0300	25.97	31.03	32.51
0330	25.97	31.03	32.51
0400	11.68	28.48	29.95
0430	11.68	22.11	23.59
0500	11.68	22.11	23.59
0530	11.68	16.00	16.00
0600	11.68	16.00	16.00
0630	11.68	16.00	16.00
0700	14.68	16.00	16.00
0730	29.13	27.33	28.81
0800	36.35	27.36	28.84
0830	27.27	30.00	31.49
0900	35.22	30.79	32.31
0930	35.22	40.60	42.15
1000	51.37	40.65	42.22
1030	51.37	40.64	42.21
1100	35.22	39.39	40.95
1130	32.59	39.40	40.96
1200	38.36	39.40	40.96
1230	38.36	36.91	38.45
1300	35.22	36.83	38.34
1330	35.22	32.73	34.22
1400	29.68	18.02	16.02
1430	29.68	16.02	16.02
1500	29.68	16.02	16.02
1530	29.68	18.08	18.08
1600	32.29	34.94	36.64
1630	35.26	46.65	51.41
1700	35.58	81.06	91.17
1730	49.56	97.56	108.18
1800	49.70	89.16	98.04
1830	49.43	55.95	60.08
1900	46.09	37.92	39.64
1930	39.80	35.75	37.36
2000	35.23	35.42	36.92
2030	35.22	34.68	36.18
2100	27.89	29.65	31.12
2130	33.26	27.33	28.80
2200	20.09	27.33	28.80
2230	26.35	23.39	24.86
2300	11.68	22.68	24.16
2330	11.68	22.68	24.16
2400	11.68	22.68	24.16

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £15.66/MWh becomes 1.566p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0118 945 6789 between 8.30am and 5.15pm Monday to Friday.

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Rexam makes £37m disposals

By Michael Lindemann

Rexam, the packaging-based conglomerate, yesterday began its eagerly-awaited disposals programme, raising £37.3m ($60.8m) from the sale of two companies.

Otis Specialty Papers, the most profitable of the 20 or so companies which Rexam said it wants to dispose of, was sold for £36m to Wausau Paper Mills, the US group. Otis reported 1996 operating profits of £4.7m on sales of £54m.

Rexam also sold PT Rexam Mulox, a lossmaking Indonesian company which makes flexible bulk containers for chemicals, to Bulkpak, a management buy-out, for £1.3m, subject to net asset adjustment. Mulox last year incurred an operating loss of £500,000 on sales of £6m and has net assets of £2.5m.

While analysts pointed out that Otis would have been easy to sell because Wausau was the "natural buyer", they welcomed the prompt sales, less than two months after Rexam launched the disposals plan. The shares edged up 2½p to 332p.

The proceeds will reduce net borrowings, which are about £223m.

Rexam still has to dispose of about 18 companies, most of which are, as one analyst put it, "of the smaller and grubbier variety". These have been put into a separate eighth division, Rexam Octagon, with sales of £303m in 1995. Octagon's managers stand to receive bonuses for swift sales which exceed a target price. Mr Rolf Börjesson, the Swedish chief executive who took over last year, hopes to complete the Octagon disposals by mid-1998.

RESULTS

	Period	Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Compel	6 mths to Dec 31	39.5	(40.4)	1.7	(1.44)	7.09	(6.06)	1.8	May 2	1.54	-	4.65
Freeport Leisure	6 mths to Dec 28	3.19	(2.09)	1.02	(0.502)	3.42†	(2.7)	-	-	-	-	-
Internet Tech ɸ	32 wks to Oct 31 §§	0.36	(0.124)	1L♠	(0.008L)	11.87L	(0.38L)	-	-	-	-	-
Interoute Tech ɸ	6 mths to Nov 30 ♦	2.82	(1.7)	1.11L	(0.698L)	3.8L	(2.9L)	-	-	-	-	-
Life Sciences Intl	Yr to Dec 31	230	(204.8)	23.9♠	(20.7♠)	8.7	(7.8)	3	-	2.8	4.6	4.4
Pascoe's	Yr to Dec 31	5.57	(5.76)	0.177♠	(0.17♥)	4.22†	(1.25)	nil	-	nil	nil	nil
Record	Yr to Dec 31	44.9	(39.7)	3.5	(2.95)	6.4	(5.3)	2.e	July 1	2.45	3.75	3.5
Visual Action	Yr to Dec 31	95.1	(43.8)	8.31	(3.56)	14.3	(6.28)	2.9	Apr 22	-	4.1	-

Investment Trusts	Period	NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
General Cons	Yr to Dec 31	258	(240.1)	3.86	(3.61)	10.65	(9.98)	3.2	Apr 4	2.66	10.1	8.58
I&S Isis	Yr to Dec 31	176.8	(140)	0.953	(0.782)	1.34	(0.87)	6.98☓	Feb 28	8.5	27.62	25
Mercury Wld Mining	Yr to Dec 31	99.7	(106.27)	5.08	(5.64)	1.19	(1.32)	1.15	May 2	1	1.15	1
Life Offices	9 mths to Dec 31	100.8	(-)	0.148	(-)	0.33	(-)	-	-	-	-	-
Scottish American	Yr to Dec 31 ★	207.8	(191.8)	11.2	(11.9)	21.21	(24.08)	1.31	Apr 4	1.27	5.18	5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ɸAim stock. §§Comparatives for 12 months. ♦Comparatives for 13 months to May 31. ☓Dividend per convertible annuity share. ★Comparatives restated.

Philips is hoping to increase its European market share with a new battery, says **Marcus Gibson**

Polarised argument

The battery industry's search for longer-lasting products often seems to generate more controversy than genuine technological innovation. Rivals are always quick to rubbish performance claims made by developers of new battery types.

In recent years makers of rechargeable batteries have been on the receiving end of criticism from manufacturers of conventional *alkaline* products. Now two big rivals in the highly-competitive but profitable $1.25bn European market for conventional alkaline batteries are slugging it out.

At the centre of the dispute is Philips's new PowerLife battery, launched last week in a bid to increase the Dutch company's 7 per cent share of the market – 10 per cent if batteries it makes for other companies are included.

Rob Vissers, senior vice-president of Philips Lighting, says the battery gives np to twice the performance of conventional alkaline batteries when fitted in "high-drain" applications such as remote-controlled toys, and offers much improved performance with CD and cassette players, torches and shavers.

These claims have been disputed by Duracell, the European market leader, which obtained and tested *PowerLife* batteries in advance of their launch.

Peter Galazka, Duracell's marketing director for Europe, says: "Twice the life is true only in a small number of applications. Philips won't show any advantage across the majority of mainstream, household products."

Batteries work by converting chemical energy into electrical euergy. PowerLife's improved performance is due to small particles of high-grade graphite, which allows a greater volume of the active ingredient, manganese dioxide, to be packed into the battery.

The "expanded" graphite allows electrical currents to pass through the battery more efficiently, leading to less eoergy loss and longer life.

Figures produced by Philips suggest that most high-drain applications would continue for betweeu 30 per ceot and 45 per cent longer when fitted with PowerLife batteries. Philips says the new batteries will power a torch for 130 minutes, compared with 80 minutes using conventional alkaline units, while a toy car will operate twice as long. The company says its tests were carried out by leading indepeudeot laboratories.

Sales of alkaline batteries are growing at 5 per cent a year in Europe, as people and workers become increasingly mobile. Philips believes that the high-drain segment, which now makes up 43 per cent of European sales of alkaline batteries, will increase rapidly into the next century as new consumer products classed as super-high drain items, especially children's toys, laptops and cellphones, come on stream.

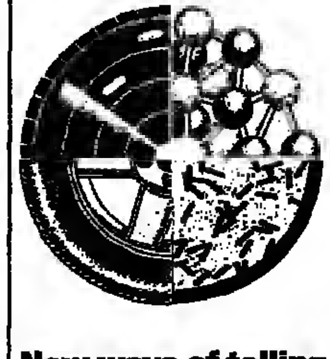
In Switzerland in 1995 13 batteries were consumed per bead of population compared with 11 in 1991. Some teenagers are known to spend more than £150 a year on batteries maintaining mobile hi-fi units and, increasingly, CD players throughoot the day.

Philips executives say the PowerLife battery, which is backed by extensive Europe-wide marketing, is a determined effort to shake off its image of being good at innovation but poor at exploiting its products. At present Philips stands fifth behind Gillette-owned Duracell, which has 36 per cent of the alkaline market in Europe.

PowerLife batteries will be available in March, but Philips gave no hints ou prices. "It won't be twice the price of conventional batteries," the company says, "but a premium price will be justified. It will be cheaper per milliwatt than its rivals."

The PowerLife battery is also said to be the first which does not contain beavy metals such as lead, cadmium and mercury. As a result, used batteries will be recycled as feed in steel-making. But Philips says it has no plans to take back speut batteries from consumers as part of any point-of-sale recovery scheme.

Worth Watching · Vanessa Houlder



New ways of telling left hand from right

Scientists at the Tokyo Institute of Technology have developed a new approach to synthesising pure forms of "chiral" molecules, a procedure that plays an important role in the pharmaceuticals industry.

Chiral molecules come in two forms, which are mirror images of each other. Tha difference between the right-handed and left-handed forms can have a buge impact on their behaviour. For example, the unforeseen effects of the thalidomide drug were caused by the presence of molecules with the wrong 'handedness'. As a result, chemists have to be able to synthesise reliably the correct form – or 'enantiomer' – of a particular molecule.

The Tokyo scientists believe their approach to selective synthesis is more efficient than conventional techniques. They selectively activated one eoantiomer of a titanium catalyst, which was then able to cause bias in the reaction to prodnce the desired end product.

Tokyo Institute of Technology: Japan, tel 3573421-42; fax 3573412776.

An eye for the loose threads

An Alabama textile plant is testing a pilot version of an antomated inspection system that nses advanced computing technology to detect defects in fabrics.

The system, developed by researchers at the Georgia Institute of Technology, uses high-speed cameras to scan the fabric. Sophisticated computing techniques, including advanced vision technology, neural networks, fuzzy logic and wavelets, are then used to identify patterns and judge whether they should be considered defects.

The technology has been licensed to Appalachian Electronic Instruments, a West Virginia textile equipment manufacturer, which plans to turn the prototype into a commercial system.

Georgia Institute of Technology: US, tel 4048943444; fax 4048946983.

Algorithms and algae

Data from earth observation satellites are being put to use in monitoring toxic algae 'blooms' around the British coast.

Although algae blooms are usually barmless, some strains seriously damage sea life. The monitoring system uses a number of algorithms to determine the extent of potentially harmful algal blooms. The Environment Agency will be able to combine the information with that from airborne coastal studies to warn about affected areas and prodnce forecasts of algal growth and movements.

The Algal Bloom Monitoring System has been developed by Anite Systems in conjunction with Dundee and Bangor Universities and the British National Space Centre.

Anite Systems: UK, (0)117 9277854; fax (0)117 9290917.

Up to speed on golf technology

A novel way of regulating the speed of electric golf trolleys will make them easier to handle and extend their range, *writes Michael Sibley*. A sensor in the handle matches the speed of the trolley to that of the golfer by continuously adjusting the voltage delivered to the motor.

The trolley, which has been developed by a company in Alderley Edge, Cheshire, starts when the handle is gripped and stops when it is released. It will automatically brake on steep downward slopes.

Standard battery-driven trolleys have to be continually adjusted to cope with stops and starts, the varying terrain and other speed changes dictated by the nature of the golf course.

JH & Co: UK, tel (0)1625 586636; fax (0)1625 586636.

Gentle alert: a commercial bleeper

A prompt reminder for patients

Pagers are being used to overcome memory loss, says **Hilary Bower**

Researchers working with head injury patients have developed a unique use for one of today's most ubiquitous communication gadgets – the pager – which not only helps overcome the often devastating problems associated with memory loss, but could dramatically rednce associated healthcare costs.

The system, developed in California by the engineer father of a head-injured son and called Neuropage, looks like any standard pager worn on the belt, but its instructions emanate from a specially primed computer at the Oliver Zangwill Centre for Neuropsychological Rehabilitation. This facility opened recently at the Princess of Wales Hospital in Ely, Cambridgeshire. Using an arrangement of microcomputers linked into the main computer's modem, reminders to meet the needs of individual patients are transmitted to a paging company's computer system at specified times and dates. Once the prompts have beeu programmed, no further interfacing is necessary: the patient simply receives the characteristic beeper alert oo their pager and the message on its screen.

Trials carried out by the centre and the Medical Research Council Applied Psychology Unit found on average patients' ability to remember and carry out tasks – such as taking medication, attending appointments, checking things for school or work, and domestic chores – rose from 37 per cent to 85 per cent, and the most successful patients moved from not remembering anything to remembering 99 per cent of their tasks.

After three mouths, some patients found their routines sufficiently established to dispense with their pager. Others, however, returned dramatically to pre-pager levels of remembering once it was removed and would benefit from long-term access.

Barbara Wilson, the centre's director and a clinical neuropsychologist, says brain injury often leaves patients with mental faculties intact but with a faulty memory. This can cause widespread disruptions to their own and their family's lives.

"They would be able to look after themselves quite well if only they could remember, but even aids like diaries or tape recorders require memory to use them. "With this system we have had people return to work and go back to college. Relatives have been freed to go back to work. Some people have been able to be discharged from hospital earlier because they can reliably take their medication."

At present Neuropage is available only to those willing to join a research project, but Wilson hopes to have a commercial service running by spring. Further work is under way to calculate the cost-benefit of providing pagers on the national health and to assess their value to a wider group.

SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left.

You see, refugees are just like you and me.

Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

And nothing is all they'll ever have unless we all extend a helping hand.

We know you can't give them back the things that others have taken away.

We're not even asking for money (though every cent certainly helps).

But we are asking that you keep an open mind. And a smile of welcome.

It may not seem much. But to a refugee it can mean everything.

UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world.

UNHCR Public Information
P.O. Box 2500
1211 Geneva 2, Switzerland

UNHCR
United Nations High Commissioner for Refugees

INT

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"Project Finance and Privatization"
April 3-4, 1997
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The CONFERENCE, under the auspices of the Government of Turkey is organized by the World Bank, DEİK-Foreign Economic Relations Board of Turkey and Foreign Investors Association of Turkey (YASED), and is sponsored by the Financial Times and Finans Dünyası. The Conference aims to promote the advent of private investment in infrastructural projects in Turkey and discuss privatization of Turkish Institutions.
Besides plenary sessions in which investors will find the possibility to discuss with Turkish authorities the legal and administrative investment climate, the opportunities to invest, emerging projects, and World Bank's guarantees and contributions, workshops during the Conference comprising major government officials and Turkish investors will offer the investors the opportunity to discuss on specific infrastructural projects, primarily power generation, transportation, communications, marinas, and urban development projects and partnerships.

OPENING STATEMENT
H.E. Necmettin ERBAKAN, Prime Minister

KEYNOTE SPEAKERS
H.E. Fehim ADAK, Minister of State
H.E. Ufuk SÖYLEMEZ, Minister of State
Richard H. FRANK, Managing Director and Chairman, Private Sector Development Group, World Bank
Mr. Yavuz CANEVİ, Chairman of YASED

AND OTHER SPEAKERS INCLUDING
H.E. Recai KUTAN, Minister of Energy and Natural Resources
H.E. Ömer BARUTÇU, Minister of Transportation
H.E. Cevat AYHAN, Minister of Public Works and Settlement
H.E. Bahattin YÜCEL, Minister of Tourism

CLOSING STATEMENT
H.E. Tansu ÇİLLER, Deputy Prime Minister

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80200 Teşvikiye
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Strong demand for Fannie Mae global

INTERNATIONAL BONDS

By Edward Luce

Fannie Mae's sterling global bond issue again captured the limelight in the eurobond market yesterday, with strong demand from mostly UK investors.

The £1bn bond issue was judged a strong success by the markets, drawing heavy demand from European investors. The bonds' 10-basis-point yield spread tightened to 8 basis points over five-year gilts in afternoon trading.

"It is trading at a premium already," said a spokesman at BZW, joint lead underwriter with Merrill Lynch. "The issue is very strongly anchored in the UK market, with UK investors taking the largest share of the offer."

Some 47 per cent of the issue was placed in the UK, 20 per cent in Asia, 18 per cent in continental Europe and 15 per cent in the US. Traders expressed surprise at the strength of demand considering the large size of the issue – BZW said it received £1.65bn in high-quality bids.

"The sterling global was very innovative," said one trader. "Fannie Mae has again broken ground after its D-Mark and yen issues."

Fannie Mae executives in the US said the agency was also looking for the right moment for a FFr3bn-5bn issue during the year to be lead-managed by Merrill Lynch and Société Générale.

"There's been quite a bit of supply in the French market recently, so we are waiting for the right opportunity," said Mr Mehmood Nathani, director of long-term funding at Fannie Mae in Washington. Mr Nathani added that the agency was looking to raise 10 to 20 per cent of its funding requirements from its "global window" this year after raising about 10 per cent overseas in 1996.

Subordinated debt was in vogue yesterday, with Crédit Locale de France attracting attention with its US$1bn issue lead-managed by Nomura. Traders described the bond, priced at 18 basis points over "off-the-run" seven-year US Treasuries, as "a bold move" in light of the closure of the seven-year maturity in the US.

"This was an aggressive issue which was priced quite tightly," said one syndicate official in London. "It will be interesting to see if Crédit Locale can open up a seven-yaar market in dollars." Nomura said 42 per cent of the issue was distributed in the UK alone and 28 per cent in Asia and Japan.

BGB Finance, the Berlin-based bank, also issued subordinated debt in a $250m nffer maturing in 2012. The bond, priced at 70 basis points over 10-year US Treasuries, was lead-managed by Salomon Brothers.

"We'va seen more and more subordinated debt coming into the auromarket," said one trader. "The BGB issue will belp develop this trend."

Distribution was strong in the UK and the Benelux region. This was BGB's first snhordinated dollar issue since it launched its $5bn EMTN programme last June.

The government of Sri Lanka said it would launch a roadshow for a $50m sovereign floating-rate note – its first foray into international capital markets since 1982. Proceeds from the issua, which will be led by Citibank International and ING Barings, will go tnwards infrastructure davalopment in Sri Lanka.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Credit Local de France	1bn	6.60	99.58R	Feb 2004	0.30R	+18(5⅞%-04)	Nomura International
Fuji Finance Cayman A(a)‡	350	(a)	100.00	Perpetual	0.75	-	Fuji Int Fin/Goldman
Fuji Finance Cayman B(a1)	150	7.30	100.00	Perpetual	0.75	115(6⅜%-02)	Fuji Int Fin/Goldman
BGB Finance (Ireland)	250	7.13	99.37R	Feb 2012	0.50R	+70(w/i10y)	Salomon Brothers
WestLB Finance Curacao(s)	200	6.00	99.32R	Dec 2000	0.23R	+12(5⅝%-00)	CIBC Wood Gundy
Kommuninvest*	200	6.39	99.80R	Mar 2002	0.10R	+17(6¼%-02)	Daiwa Europe
Citra Marga Finance(b)	125	(b)	100.00	Feb 2002	(b)	-	Peregrine Fixed Income
Abbey Natl Treas Serv(f)	100	6.00	99.97R	Mar 1999	0.13R	+8(5⅞%-99)	Nikko Europe
GECC(g)	100	6.25	102.05	Feb 2001	1.63	+6(5⅞%-99)	SBC Warburg
Household Bank Nevada‡	70	(c)	99.93R	Feb 2004	0.17R	-	CSFB
D-MARKS							
Cie Bancaire‡	750	(d)	99.95R	Mar 2002	0.15R	-	DMG/Merrill
Societe Generale	300	6.00	99.09R	Mar 2007	0.40R	+53(6%-07)	Societe Generale
Philip Morris Capital	300	5.38	99.51R	Mar 2004	0.29R	-	Dresdner KB
AUSTRALIAN DOLLARS							
Toyota Finance Australia	200	7.00	101.50	Mar 2002	2.00	-	ABN Amro Hoare Govett
FRENCH FRANCS							
Societe Generale	1bn	6.00	100.56R	Mar 2007	0.40R	+45(l)	Societe Generale
ECU							
EBRD(h)	100	8.25	99.50R	Mar 2007	0.38R	-	Morgan Stanley Intl
STERLING							
DSL Bank(s)	150	7.00	99.36R	Dec 2002	0.25R	+17(7%-02)	ABN Amro Hoare Govett
SWISS FRANCS							
Credit Local de France(s)	150	3.13	102.50	Oct 2003	std	-	CSFB Zurich
ITALIAN LIRE							
BGB Finance Ireland	300bn	6.40	101.47	Mar 2002	1.88	-	Istituto Mobiliare Italiano
LUXEMBOURG FRANCS							
Crelan Overseas(e)	2bn	4.38	102.36R	Mar 2005	2.00	-	Bacob Bank Luxembourg
CZECH KORUNA							
Metro Finance	1bn	10.50	100.0R	Feb 1998	0.15R	-	Dresdner KB

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ‡ Floating-rate note. # Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) 6-mth Libor +90bp until yr 5, then 6-mth Libor +240bp. Callable 3/02. a1) Callable 11/3/02, when coupon becomes 6mth Libor +240bp. b) Pricing today. c) 3mth Libor +18¼bp. d) 3mth Libor +10bp. e) Coupon until 14/3/01, then steps up to 7.375. f) Added to $200m launched 10/2/97. g) Added to $250m launched 13/1/97. h) One Ecu equals one Euro if currency is introduced. h1) Coupon for 1st 3yrs, then 16% less 2 times 3mth Euro Libor. l) Over interpolated yield. s) Short 1st coup

Jumbo loan for France Telecom

By Conner Middelmann

Many large deals are nearing completion in the syndicated loans market, and more are in the pipeline.

A $1.2bn jumbo seven-year revolving credit facility for Franca Talecom bas attracted strong international support, wbila attempts to lure domestic landers into the deal met with little success.

In spite of its relatively tight pricing, the facility was substantially oversubscribed by the deadline last Wednesday, raising an estimated $1.65bn and fuelling talk that the deal will be increased by a further $200m.

Meanwhila, three large project financings in the Italian power sector are keeping bankers busy.

The first, a L1,000bn 15-year project financing for API Energia, was heavily nvarsubscrihed, raising around L2,000bn in general syndication, bankers said.

This augurs well for two similar transactions currently in the market: a L1,940bn 15-year project financing facility for Sarlux Srl to fund the construction of a 550MW tar gasification plant in Sardinia, and a L1,885bn 13-year project financing for Isab Energy to finance the construction of a 512MW tar gasification plant in Sicily.

One transaction that has attracted soma attention is the amendment of a facility for Montell Polyolefins, a plastics joint venture between Montedison of Italy and Royal Dutch/Shell.

The new $2hn facility is partially to refinance a $2.3bn deal put in place last year witb a margin of 35 basis points over Libor, which in turn refinanced a $2.5bn facility established in 1995 at 85 basis points over Libor.

The latest deal is structured in several tranches, and at least part of it is expected to pay a margin of 20 basis points over Libor.

In the UK, banks are jostling to win the mandate for a jumbo £2.9bn two-year transaction for Cahle and Wireless in connection with the merger of its subsidiary Mercury Communications with Bell Cablemedia, Nynex CableComms and Videotron.

Between 10 and 12 banks are thought to have been asked to suhmit hids for what is expected to be an aggressively priced deal.

"Although, traditionally, cable companies have come at quite rich terms, this deal is expected to be priced at or close to corporate levels," said one banker, explaining: "It is a short-term facility in a highly sought-after sector."

Bankers are also casting hopeful glances in the directinn nf Greece, which is thought to he planning a refinancing of two five-year facilities worth $1.1bn at a much lower margin than the current 80 basis points.

However, the Greek Treasury appears not to have made a decision as to when and whether it wishes to proceed with the refinancing. Strong foreign inflows of funds in recent weeks, attracted by improving economic fundamentals and the relatively high yields available on Greek government securities, mean the authorities are not in a burry to tap the international market, Greek observers say.

Gilts shrug off quarterly inflation report

GOVERNMENT BONDS

By Samer Iskandar in London and Lisa Bransten in New York

The reaction of UK gilts to the Bank of England's quarterly inflation report was lacklustre. Gilts closed between 1/32 and 1/16 higher, as traders felt the report was less hawkish than expected. The Bank dropped its short-term inflation forecast by 0.2 percentage points to 2.2 per cent, but raised its 1998 forecast to nearly 3 per cent.

"The short-term forecast appears to be a little bit optimistic," said Mr Kevin Adams, a gilt strategist at BZW. "But the report shows that the Bank agrees with the chancellor that sterling's strength is useful in containing inflation in the tradeable goods' sector."

On the London International Financial Futures Exchange, the March lnng gilt future settled 3/32 higher at 113¼, hut rose further in after-hours trading to 113¾. In the cash market, 10-year gilts outperformed nther Eurnpean markets, their yield spread over German bunds tightening by 2 basis points to 165 points.

BZW expects this spread to tighten to around 125 basis points before the year-end. But Mr Adams said this target could be reached sooner if demand by overseas investors remained strong.

On Matif, the March notional French bond future settled 0.10 higher at 131.74, while Liffe's March contract on German bunds gained 0.19 to 103.10.

Analysts said last week's news that German unemployment had reached record levels was a harbinger of further bond-friendly data. At least one international bank has reviewed its expectations on the Bundesbank's future monetary stance.

"Until recently we were predicting the Buha would maintain its neutral attitude," ona economist said. "Now we believe they [members of tbe Bundesbank's council] could become more in favour of easing."

US Treasuries were steady in early trading as Wall Street awaited the afternoon auction of $12bn in 10-year notes. Near midday, tbe 30-year Treasury was up 1/16 at 97⅞ to yield 6.694 per cent while the two-year note was 1/16 lower at 100, yielding 5.856 per cent. The March futures contract on 30-year honds was unchanged at 112 15/32.

Tepid demand was shown at Tuesday's sale of $17.75bn in three-year notes, but analysts did not expect that to set the tone for the rest of the refunding becausa the notes are not a core holding of most portfolios.

Existing 10-year nntes added 1/16 at 100 11/32 in early trading, bringing the yield to 6.389 per cent.

In today's third leg of the refunding, the Treasury will anction $10bn in long bonds.

The dollar provided some support to the market as it continued to rise in spite of comments from G7 finance ministers that it appeared to he close to fair value. In early trading the US currency was changing hands at DM1.6825 and Y123.80 against DM1.6785 and Y123.43 late on Tuesday.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	95.7927	+0.070	7.38	7.25	7.60
Austria		5.625	01/07	100.4000	+0.140	5.57	5.70	5.98
Belgium		6.250	03/07	104.7200	+0.170	6.35	5.65	6.05
Canada *		7.000	12/06	104.7800	+0.070	8.34	6.41	6.51
Denmark		8.000	03/06	112.2400	+0.280	6.20	6.37	6.54
France	STAN	5.500	10/01	104.8397	+0.040	4.34	4.48	4.71
	OAT	6.500	10/06	108.1600	+0.230	5.40	5.54	5.90
Germany Bund		6.000	01/07	103.2900	+0.190	5.66	5.68	5.95
Ireland		8.000	08/06	111.1300	+0.150	6.39	6.56	8.82
Italy		7.750	11/06	104.7200	+0.080	7.07†	7.10	7.56
Japan	No 143	6.300	09/01	121.2549	-0.050	1.39	1.39	1.55
	No 182	3.000	09/05	104.3144	-0.040	2.40	2.39	2.55
Netherlands		5.750	01/07	102.2600	+0.240	5.32	5.49	5.86
Portugal		9.500	02/06	118.5000	-0.570	6.70	6.69	6.93
Spain		7.350	03/07	103.8500	+0.490	6.68	6.74	6.93
Sweden		6.000	08/07	109.8355	+0.230	6.39	6.82	6.91
UK Gilts		8.000	12/00	104-05	+1/32	6.74	6.89	7.29
		7.500	12/06	102-21	+2/32	7.12	7.28	7.71
		9.000	10/08	114-01	+2/32	7.20	7.36	7.78
US Treasury *		6.500	10/06	100-20	-1/32	6.41	6.46	6.47
		6.500	11/26	97-11	-1/32	6.71	6.73	6.70
ECU (French Govt)		7.000	04/06	108.2300	+0.080	5.81	5.81	6.26

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.87
Prime rate	8¼	Two month	-	Three year	6.01
Broker loan rate	7	Three month	5.14	Five year	6.18
Fed.funds	5⅜	Six month	5.28	10-year	6.42
Fed.funds at intervention	-	One year	5.51	30-year	6.71

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	131.82	131.74	+0.10	131.94	131.54	107,770	142,955
Jun	130.56	130.46	+0.10	130.60	130.30	1,639	15,047
Sep	128.88	128.78	+0.10	128.90	128.88	22	676

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Mar	Calls Apr	Calls Jun	Puts Mar	Puts Apr	Puts Jun
128	3.74	2.59	2.92	-	0.14	0.48
129	2.75	1.72	2.17	0.01	0.26	0.72
130	1.78	1.01	1.53	0.04	0.55	1.07
131	0.90	0.50	1.02	0.17	-	-
132	0.29	0.16	0.64	0.55	-	-

Est. vol. total. Calls 25,564 Puts 22,101. Previous day's open int., Calls 162,386 Puts 175,228.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	103.07	103.10	+0.19	103.29	102.78	220464	240674
Jun	102.20	102.24	+0.22	102.29	101.93	8945	16660

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
10300	0.37	0.36	0.61	0.79	0.27	1.12	1.37	1.55
10350	0.14	0.22	0.43	0.60	0.54	1.48	1.69	1.86
10400	0.04	0.13	0.30	0.45	0.94	1.89	2.08	2.21

Est. vol. total, Calls 23235 Puts 28069. Previous day's open int., Calls 220579 Puts 241293

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	131.10	131.02	+0.20	131.36	130.85	62003	108249
Jun	130.61	130.52	+0.20	130.89	130.40	567	14305

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
13100	0.55	1.61	0.53	2.29
13150	0.33	1.54	0.81	2.52
13200	0.18	1.31	1.16	2.79

Est. vol. total, Calls 5025 Puts 16111. Previous day's open int., Calls 143047 Puts 152435

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	114.56	114.64	+0.34	114.72	114.36	74,887	69,711
Jun	114.82	114.61	+0.12	114.62	114.40	424	1,182

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	113-15	113-18	+0-06	113-24	112-29	81643	193562
Jun	112-30	113-01	+0-06	113-08	112-15	130	6064

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
113	0-49	1-07	1-40	1-60	0-17	1-05	1-38	1-58
114	0-17	0-43	1-11	1-30	0-49	1-41	2-09	2-28
115	0-04	0-24	0-51	1-07	1-36	2-22	2-49	3-05

Est. vol. total. Calls 2344 Puts 6027. Previous day's open int., Calls 91923 Puts 48130

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	87.88	87.88	+0.16	87.96	97.72	824	6,195

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	112-15	112-14	-0-01	112-21	112-10	182,705	473,448
Jun	112-03	111-29	-0-02	112-03	111-27	2,018	40,909
Sep	-	111-17	-	-	-	62	10,614

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	126.16			126.26	126.17	2184	0
Jun	124.74			124.81	124.74	1212	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Wed Feb 12	Day's change %	Tue Feb 11	Accrued interest	xd adj. ytd		Low coupon yield Feb 12	Feb 11	Yr. ago	Medium coupon yield Feb 12	Feb 11	Yr. ago	High coupon yield Feb 12	Feb 11	Yr. ago
1 Up to 5 years (20)	121.76	0.10	121.93	2.57	1.42	5 yrs	8.82	6.85	7.03	6.89	6.91	7.07	6.93	6.94	7.15
2 5-15 years (21)	153.46	0.11	153.31	2.79	1.09	15 yrs	7.26	7.28	7.91	7.25	7.27	7.93	7.20	7.20	8.03
3 Over 15 years (6)	177.09	0.23	176.68	4.54	1.00	20 yrs	7.36	7.36	8.02	7.30	7.32	6.01	7.21	7.21	8.11
4 Irredeemables (5)	203.51	0.27	202.95	2.92	1.00	Irred.†	7.44	7.48	6.09						
5 All stocks (62)	147.57	0.13	147.48	3.05	1.24										

Index-linked							Inflation 5% Feb 12	Feb 11	Yr. ago	Inflation 10% Feb 12	Feb 11	Yr. ago
8 Up to 5 years (2)	206.52	-0.02	206.56	2.20	0.00	Up to 5 yrs	3.04	3.03	2.70	2.36	2.37	1.59
7 Over 5 years (10)	200.59	-0.14	200.86	1.06	1.45	Over 5 yrs	3.37	3.35	3.66	3.16	3.18	3.47
8 All stocks (12)	200.13	-0.12	200.38	1.17	1.29							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Feb 12	Feb 11	Feb 10	Feb 7	Feb 6	Yr ago	High*	Low*
Govt. Secs. (UK)	96.54	96.34	96.32	96.30	95.73	94.33	96.54	91.59
Fixed Interest	119.63	119.44	119.45	118.16	118.90	113.00	116.63	110.74

Gilt Edged Activity Indices

	Feb 11	Feb 10	Feb 7	Feb 6	Feb 5
Gilt Edged bargains	98.1	132.8	99.1	86.9	97.2
5-day average	100.4	102.5	90.8	86.4	85.4

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FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on February 12

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	99⅞	100⅛		6.52
ABN Amro Bank 7¼ 05	1000	102¼	102½		7.01
Alcan Dev Bk 7⅜ 23	500	101⅜	101⅞		7.25
Alberta Province 7⅞ 98	1000	102½	102⅝		6.03
Asian Dev Bank 6¼ 05	750	97¾	98		6.70
Austria 8½ 00	400	106	106¼		6.21
Baden-Wuertt L-Fin 8⅛ 00	1000	104⅞	105⅛	-⅛	6.27
Bancomext 7¼ 04	1000	92⅛	92⅞	+⅛	8.92
Bank Ned Gemeenten 7 99	1000	102	102⅛		6.10
Bayer Vereinsbk 8⅛ 00	500	104⅞	105		6.27
Belgium 5½ 03	1000	03	95¼		6.43
British Columbia 7¾ 02	500	105⅜	105⅝	-⅛	6.52
British Gas 0 21	1500	16⅜	16⅝		7.59
Canada 6⅜ 05	1500	98⅜	98½	-⅛	6.74
Cheung Kong Fin 5½ 98	500	98¼	98⅝		6.64
China 6½ 04	1000	97¼	97⅞	-⅛	7.13
Credit Foncier 9½ 99	300	106¼	106½		6.13
Denmark 5¾ 98	1000	99⅞	100		5.87
East Japan Railway 6⅝ 04	600	99¼	99½		6.76
EIB 8 04	500	97⅝	98	-⅛	6.43
Elec de France 9 98	200	103⅛	103⅜		5.93
Ex-Im Bank Japan 8 02	500	105⅝	105⅞		6.47
[illegible]					
Spain 7¼ 06	4000	[illegible]	[illegible]	[illegible]	[illegible]
Volkswagen Intl Fin 7 00	1000	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 5⅞ 03	3000	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 6⅛ 02	3000	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 7⅛ 05	3000	[illegible]	[illegible]	[illegible]	[illegible]
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	[illegible]	[illegible]	[illegible]	[illegible]
Austria 4½ 00	1000	[illegible]	[illegible]	[illegible]	[illegible]
Council Europe 4¾ 98	250	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 4⅛ 98	1000	[illegible]	[illegible]	[illegible]	[illegible]
EIB 3¾ 99	1000	[illegible]	[illegible]	[illegible]	[illegible]
EIB 6¾ 04	500	[illegible]	[illegible]	[illegible]	[illegible]
Finland 7¼ 99	500	[illegible]	[illegible]	[illegible]	[illegible]
Iceland 7⅜ 00	100	[illegible]	[illegible]	[illegible]	[illegible]
Inter Amer Dev 4¾ 03	600	[illegible]	[illegible]	[illegible]	[illegible]
Ontario 6¼ 03	400	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Hydro 5 08	100	[illegible]	[illegible]	[illegible]	[illegible]
SNCF 7 04	450	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 4¾ 03	500	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 0 21	700	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 7 01	600	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]					

[illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
[illegible]						
Treas 7½pc 2006‡‡	7.30	7.18	103 [illegible]	+3/32	103 [illegible]	94 [illegible]
[illegible]						

Index-Linked (6)

[illegible]

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

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CURRENCIES AND MONEY

Resistance hampers sterling's rise

MARKETS REPORT

By Richard Adams

Sterling's upward march and the D-Mark's retreat ware slowed yesterday, after central bank statements in the UK and Germany calmed the foreign exchange markets.

The pound fell back from intra-day highs against the D-Mark, after the Bank of England's latest quarterly inflation report was interpreted as taking a milder tone on tha prospects for UK inflation. Tha pound gained a third of a pfennig against tha D-Mark, to close at DM2.7495.

The D-Mark also recovered against the US dollar during the day, after the Bundesbank insisted it backed the statement by the Group of Seven (G7) economies that the dollar's value had been corrected.

The dollar ended at DM1.6832, up 1.11 pfennigs, having reached a high of DM1.6935 in trading.

The yen's slow descent continued against the dollar, in the face of a warning by Mr Hiroshi Mitsuzuka, the Japanese finance minister, that Japan will take "appropriate actions to tackle any excessive moves" in the foreign exchange market. The dollar gained Y0.77 to Y123.84.

■ The sterling market made an early morning assault on the resistance level of DM2.7780, tha pound's old exchange rate mechanism floor, and made it as far as DM2.7716.

But with strong selling triggered at the DM2.77 level, sterling was unabla keep a foothold above DM2.76 and quickly fell back, despite the announcement of an encouraging fall in UK unemployment.

Another attempt at midday was hampered by the release of the Bank of England's latest inflation report, which was seen as less pessimistic on the dangers of UK inflation.

A rise in gilt prices and interest rate futures confirmed the view that the Bank agreed "there has been little sign of any furthar acceleration of demand and accepts that the recent strength of sterling may have a greater role in reducing inflationary pressures," according to analysts at ABN Amro bank in London.

However, analysts at Salomon Brothers in London said: "The Bank may still be understating the disinflationary impact of sterling's rise." They said tha Bank's latest inflation forecast for 1998 was similar to its November report, despite an eight per cent rise in sterling's trade-weighted index since the last report.

Sterling slid against the dollar, falling by 0.89 of a cent to $1.6335. It dipped sharply after the US Federal National Mortgage Association announced that the proceeds of its £1bn five-year global bond would be swapped into dollars.

■ A Bundesbank statement yesterday insisted that the German central bank supported the G7 statement made last weekend that the dollar's value has been corrected. The bank noted that the G7 statement was made when the dollar was DM1.65 against the D-Mark.

But Mr David Brown, chief European economist at Bear Stearns in London, said such verbal interventions would cease to have much influence because of the fundamental strengths of the US economy. "The dollar bulls see a big chink in the G7's armour here," Mr Brown said. "It looks like the dollar bulls have all the necessary weaponry to make their assault on DM1.80 and Y135 in this campaign."

One person happy with the dollar's continued rise was Mr Jean Arthuis, the French finance minister. Yesterday he said: "The inflationary impact of the dollar's rise will be peanuts."

A measure of the D-Mark's recent weakness, not just against the dollar but against core European currencies, has been its fall against the Ecu [see chart].

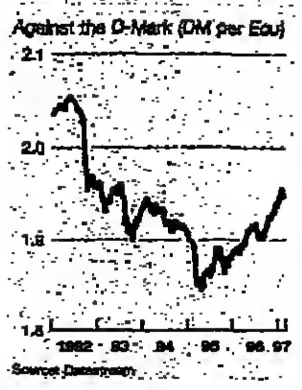
■ Mr Trevor Manuel, the South African finance minister, hinted yesterday that the South African government would announce a relaxation of foreign exchange controls on the rand in next month's budget.

Replying to a parliamentary question on exchange rate policy, Mr Manuel said: "There is exactly one month to budget day, let's not spoil our fun yet."

In London the US dollar fell slightly against the rand, and closed at R4.4040.

Ecu

Against the D-Mark (DM per Ecu)



Source: Datastream

■ **Pound in New York**

Feb 12	Latest	Prev. close
£ spot	1.6335	1.6366
1 mth	1.6325	1.6356
3 mth	1.6306	1.6338
1 yr	1.6206	1.6152

■ **OTHER CURRENCIES**

Feb 12	£	$
Czech Rp	46.1943 - 46.2553	28.2880 - 28.3080
Hungary	283.342 - 283.597	173.510 - 173.560
Iran	4902.00 - 4899.00	3000.00 - 3000.00
Kuwait	0.4950 - 0.4961	0.3031 - 0.3036
Poland	4.9349 - 4.9445	3.0220 - 3.0260
Russia	9226.45 - 9235.37	5650.00 - 5652.00
U.A.E.	5.9939 - 6.0025	3.6705 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Feb 12		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.3489	+0.0234	383 - 582	19.4981	16.2863	19.3048	2.7	19.2483	2.1	-	-	103.5
Belgium	(BFr)	56.7397	+0.0768	978 - 815	57.2420	56.5710	56.6147	2.6	58.3497	2.7	55.1547	2.8	103.5
Denmark	(DKr)	10.4712	+0.0056	651 - 772	10.5556	10.4465	10.4512	2.3	10.4107	2.3	10.2317	2.3	105.5
Finland	(FM)	8.0813	-0.0197	747 - 878	8.1520	8.0580	-	-	-	-	-	-	84.4
France	(FFr)	9.2897	+0.0224	852 - 942	9.3594	9.2588	9.269	2.7	6.2273	2.7	9.0226	2.9	108.2
Germany	(DM)	2.7495	+0.0033	482 - 508	2.7716	2.7408	2.743	2.8	2.7297	2.9	2.6849	3.1	105.1
Greece	(Dr)	425.786	+0.054	548 - 023	433.643	427.716	-	-	-	-	-	-	68.8
Ireland	(I£)	1.0300	+0.0026	293 - 306	1.0343	1.0266	1.0297	0.3	1.0287	0.5	1.0222	0.8	102.8
Italy	(L)	2695.48	+2.27	404 - 692	2710.42	2686.68	2698.73	-1.4	2701.08	-0.8	2689.23	0.2	77.2
Luxembourg	(LFr)	56.7397	+0.0768	678 - 815	57.2420	56.5710	56.6147	2.6	56.3497	2.7	55.1547	2.8	103.5
Netherlands	(Fl)	3.0861	+0.0038	847 - 874	3.1108	3.0764	3.0783	3.0	3.0628	3.0	2.9893	3.1	103.4
Norway	(NKr)	10.8029	-0.0774	979 - 078	10.8216	10.7496	10.7904	1.4	10.7704	1.2	10.6854	1.3	104.1
Portugal	(Es)	276.274	+0.548	108 - 440	277.980	275.447	276.459	-0.8	276.839	-0.8	-	-	94.4
Spain	(Pta)	232.962	+0.768	850 - 074	234.475	232.084	232.962	0.0	232.742	0.4	230.347	1.1	77.9
Sweden	(SKr)	12.1421	-0.0241	322 - 519	12.2078	12.1216	12.1291	1.8	12.0788	2.1	11.8891	2.2	85.9
Switzerland	(SFr)	2.3613	+0.0066	598 - 628	2.3732	2.3485	2.3533	4.1	2.338	3.9	2.2666	4.0	103.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	98.2
Ecu	-	1.4116	+0.0012	108 - 124	1.4198	1.4060	1.4097	1.7	1.4052	1.8	1.3838	2.0	-
SDR†	-	1.182829	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6333	-0.0089	327 - 338	1.6445	1.6282	-	-	-	-	-	-	-
Brazil	(R$)	1.7105	-0.0094	098 - 111	1.7221	1.7056	-	-	-	-	-	-	-
Canada	(C$)	2.2145	-0.0094	134 - 155	2.2317	2.2075	2.2094	2.8	2.1985	2.9	2.1395	3.4	88.3
Mexico	(New Peso)	12.7332	-0.0611	260 - 403	12.8707	12.7129	-	-	-	-	-	-	-
USA	($)	1.6335	-0.0089	330 - 340	1.6448	1.6284	1.6326	0.7	1.6305	0.7	1.6205	0.8	103.6
Pacific/Middle East/Africa													
Australia	(A$)	2.1600	+0.0025	586 - 614	2.1716	2.1554	2.1613	-0.7	2.162	-0.4	2.1619	-0.1	94.6
Hong Kong	(HK$)	12.6591	-0.0673	484 - 578	12.7373	12.6139	12.6458	0.7	12.6319	0.7	12.5673	0.7	-
India	(Rs)	58.5855	-0.3192	267 - 443	59.0100	58.4430	-	-	-	-	-	-	-
Israel	(Shk)	5.4476	-0.0193	431 - 520	5.4811	5.4399	-	-	-	-	-	-	-
Japan	(Y)	202.301	+0.171	196 - 404	203.700	201.720	201.371	5.5	199.519	5.5	191.101	5.5	121.7
Malaysia	(M$)	4.0617	-0.0251	596 - 638	4.0909	4.0515	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3800	-0.0078	784 - 816	2.3945	2.3755	2.3867	-3.4	2.3962	-2.7	2.4169	-1.9	114.8
Philippines	(Peso)	43.0346	-0.2344	806 - 886	43.2910	42.9600	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1264	-0.0334	241 - 286	6.1685	6.1076	-	-	-	-	-	-	-
Singapore	(S$)	2.3144	-0.0096	128 - 159	2.3260	2.3066	-	-	-	-	-	-	-
South Africa	(R)	7.1940	-0.0531	893 - 986	7.2610	7.1829	-	-	-	-	-	-	-
South Korea	(Won)	1420.17	-7.73	957 - 076	1429.98	1419.15	-	-	-	-	-	-	-
Taiwan	(T$)	45.0029	-0.2288	728 - 330	45.9208	44.8787	-	-	-	-	-	-	-
Thailand	(Bt)	42.4384	-0.1441	090 - 677	42.7120	42.3380	-	-	-	-	-	-	-

† Rates for Feb 11. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 12		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	11.8447	+0.0785	422 - 471	11.9150	11.7870	11.83	1.5	11.7847	2.0	11.5897	2.2	103.4
Belgium	(BFr)	34.7350	+0.235	200 - 500	34.9200	34.5600	34.675	2.1	34.5475	2.2	34.0075	2.1	103.5
Denmark	(DKr)	6.4103	+0.0382	085 - 120	6.4456	6.3834	6.4014	1.7	6.383	1.7	6.3013	1.7	105.1
Finland	(FM)	4.9472	+0.0148	447 - 497	4.9771	4.9119	4.9384	2.1	4.9196	2.2	4.8372	2.2	83.8
France	(FFr)	5.6870	+0.0445	860 - 880	5.7127	5.6532	5.6787	1.8	5.6607	1.9	5.585	1.9	105.9
Germany	(DM)	1.6832	+0.0111	829 - 835	1.6935	1.6745	1.6803	2.1	1.6744	2.1	1.6496	2.0	104.8
Greece	(Dr)	262.485	+1.455	430 - 560	265.160	260.970	264.05	-7.1	266.62	-6.3	277.845	-5.8	66.4
Ireland	(I£)	1.5880	-0.0128	855 - 865	1.5945	1.5795	1.5858	0.3	1.5852	0.2	1.5823	0.2	-
Italy	(L)	1650.13	+10.33	975 - 050	1655.10	1641.75	1652.87	-2.0	1656.03	-1.4	1656.91	-0.4	76.9
Luxembourg	(LFr)	34.7350	+0.235	200 - 500	34.9200	34.5600	34.675	2.1	34.5475	2.2	34.0075	2.1	103.5
Netherlands	(Fl)	1.8893	+0.0126	890 - 895	1.9011	1.8803	1.8855	2.4	1.8775	2.5	1.8419	2.5	103.2
Norway	(NKr)	6.6133	-0.0113	123 - 143	6.6578	6.5626	6.6095	0.7	6.6039	0.6	6.5783	0.5	103.5
Portugal	(Es)	169.130	+1.25	080 - 180	169.930	168.220	169.335	-1.5	169.63	-1.2	170.405	-0.8	95.0
Spain	(Pta)	142.615	+1.24	590 - 640	143.010	141.610	142.713	-0.8	142.725	-0.3	141.945	0.5	77.9
Sweden	(SKr)	7.4332	+0.0258	294 - 369	7.4657	7.3938	7.4304	0.5	7.4208	0.7	7.3732	0.8	85.3
Switzerland	(SFr)	1.4456	+0.0119	451 - 460	1.4500	1.4339	1.4419	3.2	1.434	3.2	1.4011	3.1	103.3
UK	(£)	1.6335	-0.0089	330 - 340	1.6449	1.6284	1.6326	0.7	1.6305	0.7	1.6205	0.8	98.2
Ecu	-	1.1572	-0.0073	569 - 575	1.1641	1.1520	1.1585	-1.4	1.1617	-1.5	1.1783	-1.8	-
SDR†	-	0.721501	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0471	-0.0001	470 - 472	1.0473	1.0470	-	-	-	-	-	-	-
Canada	(C$)	1.3557	+0.0016	554 - 559	1.3579	1.3540	1.3533	2.1	1.3483	2.2	1.3208	2.6	86.0
Mexico	(New Peso)	7.7950	+0.005	930 - 970	7.7970	7.7920	7.913	-18.2	8.1795	-19.7	9.04	-16.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	103.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3223	+0.0087	219 - 228	1.3236	1.3203	1.3238	-1.4	1.3257	-1.0	1.3312	-0.7	96.1
Hong Kong	(HK$)	7.7460	+0.001	455 - 465	7.7467	7.7447	7.7459	0.0	7.7465	0.0	7.7575	-0.1	-
India	(Rs)	35.8650	-	400 - 900	35.8950	35.8370	36.08	-7.2	36.54	-7.5	-	-	-
Israel	(Shk)	3.3349	+0.0063	332 - 366	3.3402	3.3316	-	-	-	-	-	-	-
Japan	(Y)	123.845	+0.775	820 - 870	124.480	123.300	123.37	4.6	122.365	4.8	118.185	4.6	123.2
Malaysia	(M$)	2.4865	-0.0019	860 - 870	2.4898	2.4847	2.4893	-1.4	2.4947	-1.3	2.519	-1.2	-
New Zealand	(NZ$)	1.4570	+0.0032	565 - 575	1.4588	1.4558	1.4625	-4.5	1.4668	-2.7	1.4983	-2.8	-
Philippines	(Peso)	26.3450	-	200 - 700	26.3700	26.3200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	502 - 507	3.7507	3.7500	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4168	+0.0018	163 - 173	1.4195	1.4148	1.4146	1.9	1.4101	1.9	1.3888	2.0	-
South Africa	(R)	4.4040	-0.0085	025 - 055	4.4250	4.4020	4.4447	-11.1	4.5197	-10.5	4.8345	-9.9	-
South Korea	(Won)	869.400	-	300 - 500	869.600	868.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.5500	+0.01	400 - 600	27.5740	27.5300	27.5501	0.0	27.5503	0.0	-	-	-
Thailand	(Bt)	25.9800	+0.053	700 - 900	26.0150	25.9550	26.07	-4.2	26.2375	-4.0	26.875	-3.4	-

† SDR rate per $ for Feb 11. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 11: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

February 12	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3⅛	3⅜	3⅜	3⅜	3⅜	6.00	2.50	-
France	3½	3¼	3¼	3¼	3¼	3.10	-	4.75
Germany	3⅛	3⅛	3⅛	3⅛	3⅛	4.50	2.50	3.00
Ireland	5¾	5¾	5¾	5¾	5¾	-	-	6.25
Italy	7⅞	7⅝	7¼	6⅞	6⅞	8.25	6.75	7.41
Netherlands	2⅞	2⅞	2⅞	3	3⅛	-	3.00	3.30
Switzerland	1⅛	1⅛	1⅛	1⅛	1⅛	-	1.00	-
US	5¼	5⅜	5⅜	5½	5⅝	-	5.00	-
Japan	½	½	½	½	½	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅜	5½	5⅝	5⅞	-	-	-
US Dollar CDs	-	5.15	5.16	5.23	5.38	-	-	-
ECU Linked Ds	-	4⅛	4	3⅞	3⅞	-	-	-
SDR Linked Ds	-	3⅜	3½	3⅝	3¾	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 12	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅛ - 2⅞	3⅛ - 3	3⅛ - 3	3⅛ - 3	3⅛ - 3	3¼ - 3⅛
Danish Krone	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3¾ - 3⅝
German Mark	3⅛ - 3	3⅛ - 2⅞	3⅛ - 2⅞	3⅛ - 2⅞	3⅛ - 2⅞	3¼ - 3
Dutch Guilder	3 - 2⅞	3 - 2⅞	2⅞ - 2¾	3 - 2⅞	3⅛ - 2⅞	3⅛ - 3
French Franc	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3⅜ - 3¼
Portuguese Esc.	6⅞ - 6⅝	6¾ - 6⅝	6⅝ - 6½	6⅝ - 6½	5⅞ - 5¾	5¾ - 5⅝
Spanish Peseta	5⅞ - 5¾	6 - 5⅞	6⅛ - 5⅞	5⅞ - 5¾	5⅞ - 5¾	5⅞ - 5¾
Sterling	6⅛ - 6	6⅛ - 6	6⅛ - 6	6¼ - 6⅛	6⅜ - 6¼	6¾ - 6⅝
Swiss Franc	1½ - 1	1⅝ - 1½	1⅝ - 1½	1⅝ - 1½	1¾ - 1⅝	1¾ - 1⅝
Canadian Dollar	3⅛ - 2⅞	3⅛ - 2⅞	3⅛ - 2⅞	3⅛ - 3	3¼ - 3⅛	3⅝ - 3½
US Dollar	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5¼	5½ - 5⅜	5⅝ - 5½	5¾ - 5⅝
Italian Lira	7⅞ - 7	7⅝ - 7½	7⅝ - 7½	7½ - 7⅜	7⅛ - 6⅞	6⅞ - 6⅝
Japanese Yen	½ - ⅜	½ - ⅜	½ - ⅜	½ - ⅜	½ - ⅜	⅝ - ½
Asian $Sing	⅞ - ¾	1½ - 1⅜	3 - 2⅞	3⅛ - 2⅞	3⅛ - 2⅞	3⅜ - 3¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.72	96.69	-0.02	96.72	96.66	6,935	66,765
Jun	96.76	96.73	-0.02	96.77	96.72	11,079	51,547
Sep	96.70	96.70	-0.02	96.75	96.69	6,877	35,789

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.89	96.89	-0.01	96.90	96.86	18069	200946
Jun	96.92	96.90	-	96.92	96.88	22234	171981
Sep	96.85	96.83	-0.01	96.86	96.81	22006	150942
Dec	96.70	96.68	-0.01	96.71	96.65	24217	164787

■ **ONE MONTH EUROMARK FUTURES** (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Feb	96.85	96.85	-0.01	96.85	96.83	564	11447
Mar	96.87	96.86	-0.01	96.87	96.85	775	16491
Apr	96.91	96.90	-	96.91	96.90	610	1241
May		96.90	-			0	3812

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.02	92.97	-0.03	93.05	92.94	20583	94979
Jun	93.58	93.52	-0.05	93.62	93.48	20039	78142
Sep	93.95	93.87	-0.05	93.98	93.85	9611	45885
Dec	94.15	94.07	-0.04	94.19	94.05	3028	35149

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.33	98.34	+0.03	98.35	98.28	5956	30219
Jun	98.33	98.35	+0.03	98.36	98.29	6324	30180
Sep	98.24	98.24	+0.01	98.27	98.19	2537	11972
Dec	98.05	98.05	+0.02	98.06	97.98	1666	7880

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.46	99.46	-	99.46	99.46	20	n/a
Jun	99.43	99.43	-	99.43	99.43	500	n/a
Sep	99.37	99.37	-	99.37	99.37	400	n/a

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.97	95.96	-0.01	95.97	95.95	314	10620
Jun	96.08	96.03	-0.02	96.08	96.02	561	6040
Sep	96.07	96.03	-0.02	96.07	96.02	316	4040
Dec	95.94	95.97	-0.02	95.97	95.94	87	4795

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9275	0.26	0.82	1.19	0.04	0.05	0.06
9300	0.08	0.61	0.97	0.11	0.08	0.10
9325	0.03	0.42	0.77	0.31	0.15	0.15

Est. vol. total, Calls 10212 Puts 1548. Previous day's open int., Calls 121136 Puts 77084

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 12		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.37	4.847	1.815	4750	5.439	19.03	487.0	410.6	21.40	4.181	1.762	3.902	2.880	356.5	2.489
Denmark	(DKr)	54.19	10	8.873	2.627	0.984	2574	2.947	10.32	263.9	222.5	11.60	2.255	0.955	2.115	1.561	193.2	1.348
France	(FFr)	61.08	11.27	10	2.960	1.109	2901	3.322	11.63	297.4	250.8	13.07	2.541	1.076	2.383	1.759	217.8	1.520
Germany	(DM)	20.63	3.807	3.378	1	0.375	980.0	1.122	3.927	100.5	84.73	4.415	0.859	0.364	0.805	0.594	73.56	0.513
Ireland	(I£)	55.09	10.17	9.019	2.670	1	2617	2.996	10.49	268.3	226.2	11.79	2.292	0.971	2.150	1.586	196.4	1.371
Italy	(L)	2.105	0.388	0.345	0.102	0.038	100.	0.115	0.401	10.25	8.646	0.450	0.088	0.037	0.082	0.061	7.506	0.052
Netherlands	(Fl)	18.39	3.393	3.010	0.891	0.334	873.3	1	3.500	89.53	75.50	3.934	0.765	0.324	0.717	0.529	65.55	0.458
Norway	(NKr)	52.54	9.694	8.602	2.546	0.954	2495	2.857	10	255.8	215.7	11.24	2.186	0.926	2.050	1.513	187.3	1.307
Portugal	(Es)	20.54	3.789	3.362	0.995	0.373	975.4	1.117	3.909	100.	84.33	4.394	0.855	0.362	0.801	0.591	73.22	0.511
Spain	(Pta)	24.35	4.494	3.987	1.180	0.442	1157	1.324	4.635	118.6	100.	5.210	1.013	0.429	0.950	0.701	86.82	0.606
Sweden	(SKr)	46.74	8.624	7.652	2.265	0.848	2220	2.542	8.896	227.6	191.9	10	1.945	0.824	1.824	1.346	166.9	1.163
Switzerland	(SFr)	24.03	4.435	3.935	1.165	0.436	1141	1.307	4.574	117.0	98.69	5.142	1	0.424	0.938	0.692	85.86	0.598
UK	(£)	56.74	10.47	9.290	2.750	1.030	2695	3.086	10.80	276.3	233.0	12.14	2.361	1	2.214	1.634	202.3	1.412
Canada	(C$)	25.63	4.729	4.196	1.242	0.465	1217	1.394	4.876	124.8	105.2	5.483	1.066	0.452	1	0.738	91.37	0.638
US	($)	34.72	6.408	5.685	1.683	0.630	1649	1.888	6.610	169.1	142.6	7.430	1.445	0.612	1.355	1	123.8	0.864
Japan	(Y)	28.05	5.175	4.592	1.359	0.509	1332	1.525	5.339	136.6	115.2	6.001	1.167	0.494	1.094	0.808	100.	0.698
Ecu		40.19	7.415	6.579	1.948	0.729	1909	2.186	7.649	195.7	165.0	8.596	1.672	0.708	1.568	1.157	143.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5970	0.5961	-0.0019	0.5984	0.5918	37,692	91,381
Jun	0.5958	0.5998	-0.0016	0.6001	0.5958	419	5,668
Sep	-	0.6053	-	-	0.6066	188	2,349

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8155	0.8107	-0.0057	0.8155	0.8072	13,484	79,499
Jun	0.8245	0.8214	-0.0055	0.8245	0.8185	406	3,559
Sep	-	0.8378	-	-	-	17	582

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6988	0.6963	-0.0026	0.6994	0.6917	15,172	48,044
Jun	0.7040	0.7032	-0.0024	0.7040	0.6985	298	2,997
Sep	-	0.7088	-0.0028	-	0.7095	243	1,914

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6354	1.6328	-0.0026	1.6428	1.6278	8,098	33,505
Jun	1.6388	1.6284	-0.0044	1.6388	1.6270	527	2,850
Sep	-	1.6250	-0.0042	-	1.6250	10	1,060

UK INTEREST RATES

LONDON MONEY RATES

Feb 18	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7½ - 6	6 3/16 - 6 1/16	6 3/16 - 6 1/16	6¼ - 6⅛	6 7/16 - 6 5/16	6¾ - 6⅝
Sterling CDs	-	-	6⅛ - 6 1/16	6 3/16 - 6⅛	6 13/32 - 6 11/32	6 23/32 - 6 21/32
Treasury Bills	-	-	5 13/16 - 5 25/32	5 15/16 - 5 27/32	-	-
Bank Bills	-	-	5 15/16 - 5⅞	6 1/32 - 5 31/32	6¼ - 6⅛	-
Local authority deps.	6 1/16 - 5 15/16	6 3/16 - 6 1/16	6¼ - 6⅛	6¼ - 6⅛	6⅜ - 6 5/16	6 11/16 - 6 9/16
Discount Market deps	7 - 6	6 1/16 - 6	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount on Feb 7, 5.8748pc. ECGD fixed rate Stg. Export Finance. Make up day Jan 31, 1997. Agreed rate for period Feb 26, 1997 to Mar 25, 1997, Scheme III 7.68pc. Reference rate for period Jan 1, 1997 to Jan 31, 1997, Schemes IV & V 6.409pc. Finance House Base Rate 6½pc from Feb 1, 1997

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.72	93.72	+0.01	93.72	93.69	10998	103133
Jun	93.48	93.49	+0.02	93.50	93.42	29793	115675
Sep	93.28	93.30	+0.02	93.31	93.22	21186	79647
Dec	93.14	93.15	+0.02	93.17	93.09	15854	54015
Mar	93.07	93.06	+0.02	93.07	93.00	5153	37733

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9350	0.24	0.18	0.17	0.02	0.17	0.37
9375	0.04	0.06	0.09	0.07	0.32	0.54
9400	0	0.02	0.03	0.28	0.53	0.73

Est. vol. total, Calls 6175 Puts 2590. Previous day's open int., Calls 194328 Puts 158580

EMS EUROPEAN CURRENCY UNIT RATES

Feb 12	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Finland	5.85424	5.75237	-0.02968	-1.74	4.06	12
Portugal	197.398	196.501	+0.175	-0.45	2.72	3
Ireland	0.798709	0.733257	+0.001947	-8.16	11.38	55
Italy	1906.48	1916.74	-0.51	0.54	1.70	-4
Spain	163.826	165.566	+0.092	1.06	1.17	-7
Netherlands	2.18979	2.19547	-0.00052	1.18	1.05	-9
Denmark	7.34555	7.45241	-0.00205	1.45	0.78	-10
Germany	1.92573	1.95619	+0.00017	1.58	0.65	-19
Austria	13.5485	13.7853	+0.0013	1.80	0.54	-12
Belgium	39.7191	40.3607	+0.0067	1.62	0.82	-12
France	6.45863	6.60384	+0.00078	2.25	0.00	-19
NON ERM MEMBERS						
Greece	295.269	305.264	-0.563	3.39	-1.10	-
UK	0.793103	0.712304	-0.000378	-10.19	13.85	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.610	2.77	3.43	-	-	0.72	1.32
1.620	1.92	2.73	3.31	0.12	1.02	1.68
1.630	1.18	2.17	2.73	0.30	1.41	2.10

Previous day's vol., Calls 1,840 Puts 205. Prev. day's open int., Calls 39,770 Puts 50,533

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
0.595	0.38	0.80	1.12	0.17	0.53	0.73
0.600	0.14	0.57	0.87	0.41	0.76	0.98
0.605	0.05	0.39	0.65	0.81	1.09	1.27

Previous day's vol., Calls 1,283 Puts 1,314. Prev. day's open int., Calls 40,502 Puts 25,222

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.48	94.48	+0.01	94.48	94.47	27,355	395,427
Jun	94.38	94.35	-	94.36	94.34	47,883	378,768
Sep	94.22	94.22	-	94.23	94.21	24,616	290,148

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.98	94.98	-	94.98	94.98	160	5,002
Jun	94.88	94.88	-0.01	94.88	94.88	56	3,330
Sep	-	94.75	-	-	-	37	885

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Apr	PUTS Jun
9675	0.15	0.15	0.17	0.19	0.01	0.01	0.02	0.04
9700	0.01	0.02	0.03	0.05	0.12	0.13	0.13	0.15
9725	0	0	0	0.01	0.38	0.36	0.35	0.36

Est. vol. total, Calls 10560 Puts 7945. Previous day's open int., Calls 497282 Puts 300650

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9850	0.03	0.11	0.15	0.16	0.26	0.41
9875	0	0.04	0.06	0.41	0.44	0.57

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 5450 Puts 2885

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	•Singer & Friedlander	6.00
•Henry Ansbacher	6.00	Financial & Gen Bank	7.00	•Smith & Williamson Secs	6.00
Bank of Baroda	6.00	•Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	•Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	•Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Bank of Scotland	6.00	•Hill Samuel	6.0	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
•Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00	• Members of London Investment Banking Association	
Citibank NA	6.00	Julian Hodge Bank	6.00	* In administration	
Clydesdale Bank	6.00	•Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		•Rea Brothers	6.00		

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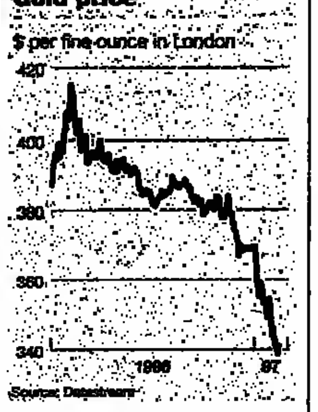
COMMODITIES AND AGRICULTURE

Gold hit by worries over bank sales

MARKETS REPORT

By Peter John



Gold fell sbarply yesterday, hitting a near four-year low on concerns about selling by central banks.

Shortly before midday in London, the price dropped below $337 for the first time since April 1993. It rallied later but was still off $1.80 at $337.70 by the afternoon fix.

Dealers said the falls had been backed by heavy volume, which suggested central bank involvement. In January, the Dutch central bank said it had sold 300 tonnes, its fourth disposal since 1989.

Mr Andy Smith, precious metals analyst at UBS, said the heavy slide since January might reflect the final unwinding of positions taken after heavy investment by Mr George Soros, the international investor.

In 1993, Sir James Goldsmith sold s stake in Denver-based Newmont Mining to Mr Soros and then bought call options with some of the proceeds. Early that year, gold was at $327 an onnce.

"It is now getting back to pre-Soros levels," Mr Smith said. "It's taken three years for the exit strategy to be implemented." He added that in the short-term there was room for a blip upwards, but that the medium to long-term sentiment was still negative.

Oil was volatile as dealers reacted nervously to US and Opec production figures.

Brent crude fell back in early London dealing after the API announced weekly US inventories showing stocks are rebuilding rapidly and figures from the International Energy Agency showing Opec production in January was up by 1m barrels a day compared with last year.

Brent turned around a 50 cent fall in the afternoon, and by 6pm April stocks were virtually flat at $21.12.

Attempts to call coffee lower in London were scuttled as the New York contract hit new highs on the back of the general strike in Colombia. The London contract for May traded as much as $40 lower on Liffe in early trading, but tightness continued in New York, with activity from funds and roasters, the fundamental buyers, forcing up prices.

In the afternoon, speculation that a third of road transport in Colombia was crippled by strikes sent New York prices even higher. Although the arbitrage with the London contract widened to 92 cents, London was dragged up to end the day $24 higher at $1,667.

Copper traded higher on the London Metal Exchange although many market participants were at an industry meeting in New York. Speakers at the American Metal Market Forum on Tuesday argued that the market would be in surplus by the end of the year. Nevertheless, short covering pushed the price up $38 to $2,250.

Zambia in copper accord

By Mark Ashurst in Cape Town

The Zambian government yesterday reached a landmark in the privatisation of Zambian Consolidated Copper Mines when it granted exclusive rights to its Konkola Deep copper deposit to a consortium of three international mining groups.

The agreement follows negotiations spanning more than two years since rights to the deposit ware first offered to Anglo American, the big South African mining group.

The deal has been struck only a fortnight before the February 28 deadline for bids from rival mining groups for other ZCCM assets, and amid mounting pressure on the government from donor organisations exasperated by the decline of the Zambian copper industry.

Donor sopport for Zambia's fragile balance of payments is critical to its programme of economic structural adjustment, of which the privatisation of ZCCM is the cornerstone.

A memorandum of understanding grants Anglo American and Gencor, the South African mining house, and Falconbridge, the Canadian group, exclusive rights to conduct a feasibility study into the development of the Konkola Deep ore body.

The deposit, the richest known copper reserve in Zambia, is estimated to contain 340m tonnes of ore with a copper concentration of 3.8 per cent.

Anglo expects the development to cost $700m-$800m. It forecasts Konkola Deep will produce about 180,000 tonnes of finished copper a year, reversing a trend of three decades of falling output at ZCCM's stata-controlled mines. From a peak of 720,000 tonnes in 1969, Zambia's copper production fell to 327,000 tonnes last year.

The consortium is led by Anglo, which holds a 40 per cent interest through its local subsidiary, Zamhia Copper Investments; Gencor and Falconbridge will each hold 30 per cent.

Successive delays in finalising the agreement have frustrated the Zambian government, which has sought private sector capital to develop Konkola Deep since the early 1990s.

Partly because of the delays, rights to the adjacent Konkola North deposit were last year sold to Anglovaal, another South African mining honse, despite approaches from Anglo.

Mr Willa Mung'omba, head of the ZCCM task team at the Zamhian Privatisation Agency, said exclusive rights for Konkola Deep had been available to Anglo sinca 1994. Bnt he denied that Anglo, which owns 27.3 per cent of ZCCM, had "leap-frogged" the sale of other ZCCM assets which hava been put to tender.

Rubber glut hits prices in China

By James Harding in Shanghai

EPA

A stagnant Chinese car market resulted in tyre stockpiles growing 20 per cent in 1996

Rubber prices in China will continue to fall and imports will slip in 1997 as the Chinese market suffers a "glut of rubber", according to an official statement yesterday.

Mr Chen Guoying, secretary-general of the Chinese Rubber Industry Association, said: "This year's price is likely to continue decreasing, but at the same pace as last year. The import of rubber . . . will see a slight decline because of last year's inventory."

The prediction reinforces recent global forecasts that a recovery in the rnbber market is unlikely this year as production continues to outstrip demand.

Rubber supply jumped 22.6 per cent last year to 1.89m tonnes compared with 1995, according to a report in the China Daily, the official government newspaper.

Chinese demand is forecast to rise 5 per cent in 1997 to 1.47m tonnes, of which 1.05m tonnes will be met by domestic production.

Government officials believe the oversupply and price collapse in the Chinese rubher market last year were driven by a marked rise in imports, which increased 45.1 per cent on 1995 to 917,000 tonnes, accounting for approximately half of China's annual consumption. Natural rubber imports rose 72.1 per cent to 550,000 tonnes.

Rubher prices fell to sbout Yn13,000 ($1,566) a tonne in 1996 from a record Yn18,000 in the previous two years.

High stock levels have pushed prices lower hut have done little to boost the Chinese tyre industry, as a stagnant car market resulted in tyre stockpiles growing 20 per cent in 1996.

The official statement echoed recent forecasts in the market, which expects global rubber stocks to reach a new peak this year as international rubber output continues to rise.

The International Ruhber Study Group said this week demand for natural rubber is being driven by rising consumption in Asia and eastern Europe, but excess supply has pushed prices lower.

The rise in production has been led by Indonesia, which lifted output 9.5 per cent in 1996 to 1.6m tonnes, and India, also up 9.5 per cent to 547,000 tonnes. Thailand, where production rose 6 per cent to 1.89m tonnes, has started negotiations with China to sell 200,000 tonnes of rubber this year.

COMMODITIES DIGEST

Western Europe uses more gas

Natural gas consumption in western Europe jumped 10 per cent in 1996, the fastest growth rate in recent years, Eurogas said yesterday. The main reasons for the higher demand were cold weather, an increase in customers in private households and a strong rise in gas consumption for power generation.

Eurogas, the European Union of the Natural Gas Industry, said Denmark and Spain, the front-runners in 1995, also had fast growing consumption last year, with growth of 18 and 15 per cent respectively. "They were joined this year by the United Kingdom, which registered a 16 per cent increase in gas demand due to an increase in gas-fired power generation and low gas prices," Eurogas said.

Gas consumption rose 12 per cent in Germany and 11 per cent in Belgium. "Other west European countries registered increases of 7 per cent to 10 per cent. Only Italy and Ireland experienced moderate gas demand increases, of 2 per cent," it added.

Indigenous production accounted for more than 70 per cent of total supplies. Some 19 per cent was imported from Russia, 10 per cent from Algeria and less than 1 per cent from other sources, such as north Africa and the Middle East. The Netherlands and Britain remained the largest gas producers in western Europe.

Reuters, Brussels

Petroz files claim over Timor

Petroz, the Perth-based oil and gas company, has filed a compensation claim against Australia's federal government over the loss of its interests in an exploration permit in the Timor Sea. The area was redefined after Australia and Indonesia hammered out a innovative "zone of co-operation" to cover the highly-prospective offshore area in 1989, and existing permit holders claimed to have lost out.

WMC, the larger Melbourne-based mining company which also held an interest in the permit area, has already taken legal action against the Australian government, and won in the Federal Court. However, the matter is axpected to go to the High Court, the highest judicial authority, in mid-1997, with a ruling expected some time after that.

Nikki Tait, Sydney

Santa Fe lifts Kazakh stake

Santa Fe Pacific Gold, one of the biggest gold producers in North America, yesterday said that it had increased its interest in Kazakhstan's Sharaltyn exploration project to 100 per cent from 50 per cent at a price of $3.05m.

The project covers a 7.5m acre licence area in north eastern Kazakhstan. The 50 per cent carried interest in the project is currently held by two state-owned entities. The company's move into central Asia – announced in June 1995 – was seen as part of an aggressive international search by a company that had only three mines, all in the US.

The latest Kazakhstan transactinn will become final within three to four weeks after registration with the country's Ministry of Justice, Santa Fe said.

Reuter, Albuquerque

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1524-5	1557.5-8.0
Previous	1525.5-26.5	1559-60
High/low		1559/1536
AM Official	1519-20	1550.5-1.0
Kerb close		1555-6
Open int.	253,696	
Total daily turnover	99,692	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1435-45	1465-70
Previous	1445-55	1475-80
High/low		1470/1458
AM Official	1430-5	1460-1
Kerb close		1465-8
Open int.	5,617	
Total daily turnover	2,026	

■ LEAD ($ per tonne)

Close	644-5	652-3
Previous	639.5-40.5	649-50
High/low	637	653/636
AM Official	636.5-7.5	644-5
Kerb close		648-9
Open int.	38,657	
Total daily turnover	17,354	

■ NICKEL ($ per tonne)

Close	7785-95	7870-80
Previous	7700-10	7790-800
High/low	7760	7880/7700
AM Official	7745-55	7815-20
Kerb close		7885-90
Open int.	52,234	
Total daily turnover	12,296	

■ TIN ($ per tonne)

Close	5865-75	5930-40
Previous	5830-40	5905-10
High/low		5940/5880
AM Official	5870-75	5938-40
Kerb close		5930-35
Open int.	15,582	
Total daily turnover	4,129	

■ ZINC, special high grade ($ per tonne)

Close	1165-6	1188-9
Previous	1154.5-55.5	1175-76
High/low	1163/1162.5	1193/1170
AM Official	1162.5-3.0	1182-3
Kerb close		1185-90
Open int.	86,340	
Total daily turnover	20,721	

■ COPPER, grade A ($ per tonne)

Close	2374-9	2248-9
Previous	2365-70	2220-22
High/low	2356/2351	2255/2206
AM Official	2355-6	2233-4
Kerb close		2249-50
Open int.	144,862	
Total daily turnover	56,891	

■ LME AM Official £/$ rate: 1.6285
LME Closing £/$ rate: 1.6335

Spot: 1.6335 3 mths: 1.6306 6 mths: 1.6272 9 mths: 1.6238

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	108.40	+1.20	108.50	106.70	293	1,900
Mar	107.95	+1.95	108.10	105.80	4,562	23,906
Apr	106.05	+2.25	105.00	105.00	215	1,853
May	104.25	+2.05	104.40	102.80	725	8,032
Jun	103.35	+1.85	102.40	102.40	00	862
Jul	102.50	+2.00	102.50	101.50	76	4,699
Total					6,100	53,682

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	340.60-340.90		
Opening	337.10-337.40		
Morning fix	336.90	205.214	484.125
Afternoon fix	337.70	206.797	486.663
Day's High	341.10-341.40		
Day's Low	336.20-336.50		
Previous close	338.50-338.80		

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1 month ....2.88 6 months 3.94
2 months ....3.48 12 months 3.98
3 months 3.69

Silver Fix	p/troy oz.	US cts equiv.
Spot	294.35	482.00
3 months	296.35	487.70
6 months	302.55	493.65
1 year	311.40	505.90

Gold Coins	$ price	£ equiv.
Krugerrand	338-340	207-209
Maple Leaf	-	-
New Sovereign	79-82	48-50

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Vol	Open int
Feb	344.9	+3.6	347.4	338.5	476	3,855
Mar	344.9	+3.8	-	352.0	85	85
Apr	345.4	+3.5	348.0	338.5	26,805	98,016
Jun	347.6	+3.6	350.4	340.6	2,435	24,483
Aug	350.1	+3.7	353.0	344.0	238	9,751
Oct	352.6	+3.8	355.5	347.0	38	3,497
Total					31,984	195,276

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Apr	371.6	+13.0	376.5	358.1	3,185	20,926
Jul	373.8	+13.0	377.0	364.5	218	3,498
Oct	375.9	+13.0	378.0	363.0	191	2,417
Jan	378.2	+13.0	-	-	2	1,110
Total					3,594	27,951

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Mar	141.00	+3.90	141.00	137.75	1,967	7,210
Jun	142.10	+4.00	142.25	139.25	639	3,274
Sep	143.15	+4.00	140.50	140.50	53	391
Dec	144.15	+4.00	143.00	143.00	50	116
Total					2,709	10,991

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Feb	512.3	+29.8	491.0	491.0	16	-
Mar	513.5	+29.7	522.0	481.0	27,888	49,580
May	518.5	+30.1	527.0	487.0	8,014	19,247
Jul	523.2	+30.2	531.5	491.0	357	9,301
Sep	527.9	+30.4	536.0	497.0	72	3,058
Dec	535.0	+30.6	542.0	503.0	606	5,363
Total					38,215	91,079

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	22.58	+0.18	22.75	22.00	34,440	62,190
Apr	22.33	+0.10	22.44	21.82	26,444	62,638
May	21.96	+0.01	22.10	21.50	7,332	36,071
Jun	21.70	+0.01	21.80	21.34	3,346	34,678
Jul	21.40	-0.05	21.48	21.12	2,204	18,235
Aug	21.20	-0.02	21.22	20.92	1,932	15,003
Total					84,274	381,539

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	21.17	+0.03	21.25	20.65	15,864	22,624
Apr	20.79	+0.04	20.85	20.28	18,282	56,422
May	20.48	+0.05	20.57	20.02	4,703	21,685
Jun	20.17	+0.03	20.25	19.80	1,990	17,400
Jul	20.01	+0.11	20.05	19.69	2,591	12,511
Aug	19.82	+0.11	19.82	19.55	120	3,780
Total					na	na

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	63.00	+1.14	63.00	61.15	17,754	35,100
Apr	60.25	+0.57	60.75	59.00	7,885	19,984
May	58.30	+0.42	58.65	57.20	2,127	6,822
Jun	57.35	+0.47	57.60	56.25	1,124	7,363
Jul	57.05	+0.62	57.25	55.75	759	5,211
Aug	57.35	+0.62	57.35	56.30	807	3,580
Total					33,332	96,767

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	192.00	-	194.25	181.25	7,086	11,021
Mar	184.50	+1.75	185.75	180.00	16,840	18,376
Apr	181.75	+1.75	182.50	178.00	4,045	7,583
May	179.50	+1.50	179.75	176.00	1,538	4,234
Jun	179.50	+1.75	179.50	176.75	1,098	8,239
Jul	178.75	+1.50	179.50	177.25	743	2,967
Total					31,635	61,887

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	2.130	-0.094	2.250	2.101	18,673	30,435
Apr	2.080	-0.067	2.155	2.066	8,264	22,783
May	2.045	-0.052	2.105	2.035	2,018	14,948
Jun	2.045	-0.030	2.080	2.035	1,460	9,534
Jul	2.055	-0.020	2.075	2.045	731	9,317
Aug	2.065	-0.015	2.080	2.055	395	7,726
Total					32,481	182,436

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	64.45	+0.49	64.80	62.80	14,639	28,023
Apr	66.20	+0.28	66.60	65.00	9,159	21,814
May	66.00	+0.32	66.30	64.90	3,503	13,326
Jun	65.05	+0.37	65.15	64.15	2,119	8,177
Jul	63.70	+0.47	64.00	63.60	491	4,836
Aug	62.15	+0.42	62.15	61.80	180	4,063
Total					30,634	82,858

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	91.50	+0.20	91.75	90.75	128	1,086
May	93.75	+0.25	94.00	93.00	280	3,286
Jul	95.75	+0.25	96.00	95.50	66	563
Sep	90.75	-	-	-	-	32
Nov	92.75	+0.25	92.80	92.00	119	1,688
Jan	94.75	+0.25	-	-	-	201
Total					518	6,881

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Mar	357.25	-4.75	366.50	354.00	13,601	23,140
May	355.00	-3.50	362.00	352.50	4,709	15,206
Jul	342.00	-2.75	347.00	338.50	4,900	26,942
Sep	344.75	-3.75	350.50	343.50	79	2,180
Dec	356.00	-2.00	359.00	353.00	103	2,011
Mar	355.50	-	354.00	354.00	3	29
Total					23,392	69,694

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Mar	273.75	+1.25	274.00	271.25	16,440	105,775
May	272.75	+1.50	273.00	270.25	8,077	84,389
Jul	271.00	+1.25	271.50	268.75	4,171	71,165
Sep	268.00	+1.25	268.00	266.00	394	10,751
Dec	268.75	+0.75	269.00	266.75	2,188	46,410
Mar	274.25	+1.00	274.25	272.75	145	3,346
Total					31,540	325,057

■ BARLEY LIFFE (£ per tonne)

Mar	92.25	+0.25	92.50	92.45	12	256
May	93.00	+0.25	-	-	-	142
Sep	90.50	+0.25	-	-	-	28
Nov	92.50	+0.25	92.25	92.25	5	283
Jan	94.50	+0.25	-	-	-	27
Total					17	736

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Mar	764.25	+14.50	765.50	749.00	27,546	64,926
May	763.00	+14.50	763.50	747.50	8,404	40,535
Jul	762.50	+14.50	763.00	747.00	5,941	36,927
Aug	757.50	+14.50	758.00	747.50	103	5,015
Sep	726.00	+10.25	726.00	719.00	199	1,901
Nov	701.00	+6.50	702.00	694.50	3,752	18,692
Total					47,661	169,686

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Mar	23.88	+0.05	24.13	23.80	4,342	37,214
May	24.35	+0.08	24.50	24.18	2,500	23,505
Jul	24.72	+0.06	24.82	24.56	1,160	16,316
Aug	24.86	+0.09	24.00	24.70	29	3,239
Sep	24.95	+0.05	25.05	24.85	144	2,647
Oct	25.12	+0.07	25.10	25.10	17	863
Total					9,168	90,013

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Mar	247.2	+5.1	248.0	241.5	9,854	33,724
May	241.8	+5.6	242.2	236.5	2,984	24,354
Jul	239.8	+5.4	240.0	235.2	2,581	21,694
Aug	237.0	+5.3	237.5	233.0	198	3,912
Sep	230.0	+3.4	231.0	228.0	120	2,928
Oct	220.6	+2.6	221.5	218.5	39	1,076
Total					16,246	90,893

■ POTATOES LIFFE (£/tonne)

Mar	56.0	+1.0	-	-	-	-
Apr	60.0	+1.0	62.0	57.0	77	1,111
May	66.5	+0.5	67.0	66.0	11	137
Jun	75.5	+0.5	-	-	-	-
Nov	65.5	+0.5	-	-	-	2
Apr	113.5	+0.5	113.0	113.0	2	608
Total					93	1,858

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Feb	1508	-2	1515	1500	35	353
Mar	1562	-3	1569	1550	29	597
Apr	1560	-5	1575	1550	53	1,183
Jul	1290	-15	1305	1290	17	604
Oct	1410	-10	1435	1420	13	208
Jan	1420	-	1429	1420	10	49
Total					00	2,994

	Close	Prev
BFI	1440	1434

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	831	-14	843	831	4,302	24,519
May	856	-12	867	855	5,169	27,004
Jul	876	-12	884	875	2,154	12,467
Sep	895	-12	905	896	366	14,584
Dec	910	-12	920	907	1,835	12,877
Mar	931	-13	943	930	622	19,114
Total					15,724	129,814

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1234	-10	1239	1211	5,206	11,178
May	1274	-8	1277	1252	5,322	31,396
Jul	1306	-6	1307	1286	977	15,989
Sep	1332	-5	1335	1318	410	9,729
Dec	1355	-12	1359	1342	248	5,114
Mar	1383	-12	1388	1375	40	12,603
Total					12,203	92,871

■ COCOA (ICCO) (SDR's/tonne)

Feb 11	Price	Prev. day
Daily	973.76	981.07

■ COFFEE LIFFE ($/tonne)

Mar	1650	+25	1670	1575	2,812	14,220
May	1667	+24	1685	1590	4,422	20,818
Jul	1690	+28	1705	1810	3,195	8,228
Sep	1690	+23	1695	1624	417	3,089
Nov	1700	+28	1710	1640	129	1,308
Jan	1700	+28	1705	1650	13	176
Total					10,998	47,893

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Mar	171.85	+8.30	173.00	160.75	7,763	16,179
May	163.20	+5.65	164.00	154.30	8,051	15,117
Jul	158.80	+5.55	159.05	150.25	1,488	5,901
Sep	152.00	+3.80	152.00	145.25	758	3,268
Dec	145.80	+2.85	146.00	140.50	245	2,337
Mar	139.70	+3.70	141.40	136.00	24	611
Total					18,329	43,550

■ COFFEE (ICO) (US cents/pound)

Feb 11		Prev. day
Comp. daily	122.11	119.00
15 day average	111.66	110.38

■ WHITE SUGAR LIFFE ($/tonne)

Mar	304.9	-3.2	310.3	305.0	2,079	2,160
May	301.5	-2.1	303.6	301.0	2,516	11,630
Aug	301.7	-2.2	303.0	301.8	221	3,223
Oct	297.4	-2.1	298.6	297.6	70	2,517
Dec	297.7	-1.0	299.7	298.0	29	687
Mar	298.5	-1.9	301.2	299.8	20	423
Total					4,930	20,796

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	10.66	+0.03	10.71	10.56	13,258	50,010
May	10.65	-0.03	10.68	10.58	7,429	39,159
Jul	10.48	-0.05	10.52	10.42	1,841	28,335
Oct	10.44	-0.05	10.50	10.40	1,263	20,281
Mar	10.42	-0.04	10.47	10.38	596	7,227
May	10.44	-0.04	10.50	10.47	22	1,138
Total					24,389	146,763

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	73.42	-0.43	74.00	73.40	7,006	17,790
May	74.92	-0.45	75.45	74.86	6,122	22,258
Jul	76.05	-0.30	76.51	75.90	1,225	8,973
Oct	76.28	-0.12	76.50	76.30	120	1,372
Dec	76.30	-0.70	76.65	76.25	1,132	12,852
Mar	77.17	-0.75	77.40	77.40	139	611
Total					15,801	64,664

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Mar	74.55	-5.35	74.75	72.50	3,531	10,228
May	76.15	-5.00	78.15	76.15	2,004	8,289
Jul	61.40	-5.00	81.00	81.40	274	3,365
Sep	84.40	-5.00	84.50	84.40	112	2,303
Nov	60.40	-4.60	87.50	86.00	6	603
Jan	86.40	-4.20	90.50	87.80	18	202
Total					5,957	25,110

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	64.400	+0.400	64.600	64.275	2,484	8,487
Apr	65.700	+0.050	66.200	65.550	7,401	42,618
Jun	63.875	+0.225	63.975	63.650	2,145	17,156
Aug	63.600	+0.175	63.750	63.350	888	17,695
Oct	66.850	+0.175	66.950	66.625	564	11,174
Dec	66.850	+0.200	66.950	66.850	258	4,276
Total					13,908	101,802

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Feb	74.325	-0.025	74.650	74.150	1,427	3,796
Apr	74.425	+0.575	74.475	73.750	3,288	15,910
Jun	79.375	+0.475	79.450	78.800	1,555	8,583
Jul	77.400	+0.625	77.400	76.800	229	1,904
Aug	74.075	+0.375	74.075	73.700	216	2,161
Oct	67.325	+0.325	67.400	67.250	128	1,380
Total					6,934	34,939

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	77.900	+1.675	77.900	75.100	518	1,156
Mar	78.525	+2.775	78.750	74.800	1,210	2,497
May	78.625	+2.525	78.750	75.525	545	3,330
Jul	77.225	+1.275	77.500	75.450	164	663
Aug	74.025	+1.000	74.250	73.250	12	512
Total					2,450	8,160

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Mar	Jun	Mar	Jun
1500	46	94	11	31
1550	18	65	33	52
1600	5	43	70	80
■ COPPER (Grade A) LME	Mar	Jun	Mar	Jun
2200	118	108	11	90
2250	80	85	24	115
2300	51	65	44	148
■ COFFEE LIFFE	Mar	May	Mar	May
n/a				
n/a				
n/a				
■ COCOA LIFFE	Mar	May	Mar	May
n/a				
n/a				
n/a				
■ BRENT CRUDE IPE	Mar	Apr	Mar	Apr
2050	-	-	-	50
2100	-	-	8	90
2150	-	36	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$19.10-9.25w	+0.05
Brent Blend (dated)	$21.23-1.24	-0.015
Brent Blend (Mar)	$21.20-1.22	+0.06
W.T.I.	$22.65-2.66w	+0.32

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$217-218	+1
Gas Oil	$189-193	+1
Heavy Fuel Oil	$92-94	-1
Naphtha	$224-232	-1
Jet fuel	$211-213	+1.5
Diesel	$202-204	+2

■ NATURAL GAS (Pence/therm)

Bacton (Mar)	10.80-11.30	-0.55

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)‡	$340.75	+2.10
Silver (per troy oz)‡	495.50c	+5.50
Platinum (per troy oz.)	$356.00	+1.75
Palladium (per troy oz.)	$136.65	+1.40
Copper	113.0c	-1.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.40r	+0.09
Tin (New York)	273.50	+1.00
Cattle (live weight)	101.42p	-0.83*
Sheep (live weight)	141.75p	-0.23*
Pigs (live weight)†	77.85p	+3.23*
Lon. day sugar (raw)	$262.50	+4.00
Lon. day sugar (wte)	$309.50	+3.70
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Mar)♥	79.50p	+1.75
Rubber (Apr)♥	79.50p	+1.75
Rubber (KL RSS No1)	303.5x	+1.5
Coconut Oil (Phil)§	780.0y	
Palm Oil (Malay.)§	567.5	-12.5
Copra (Phil)§	$497.5y	
Soyabeans (US)	206.0x	+1.0
Cotton Outlook'A' index	80.85	
Wooltops (64s Super)	385p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Jan w Mar y Feb/Mar♥ London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on na head of pigs sold.

Nuts and Seeds Prices from Kenkko US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round): RPPC new crop prices up at 4,050 CFR; very few long type. Walnuts US shelled LHP: 6,300 FAS California; East European LHP mix 4,500 CPT Europe. Turkish hazelnuts standard No 1: price idea between 4,600 and 4,700 CFR; US inshell at 2,200 FOB. Turkish apricots number two: up at 3,360 CFR. Indian cashews raw W-320: 5,700 CFR EMP firm; spot goods at 5,800 FCA Rotterdam; new crop shipment from April 1997 W320 at 5,550. US pecans fancy junior mammoth halves: firm at 5,200 FOB, few goods available. Coconut: CFR at 1,450 for top Philippine goods, down; spot at 1,500. Pinekernels: Pakistan down at 10,500 very good crop.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Feb 12	Feb 11	month ago	year ago
1960.0	1954.8	1909.0	2142.2

■ CRB Futures (Base: 1967 = 100)

Feb 11	Feb 10	month ago	year ago
237.30	237.30		

■ GSCI Spot (Base: 1970 = 100)

Feb 11	Feb 10	month ago	year ago
195.90	195.09	214.89	192.40

JOTTER PAD

CROSSWORD

No.9,299 Set by GALAPAGOS

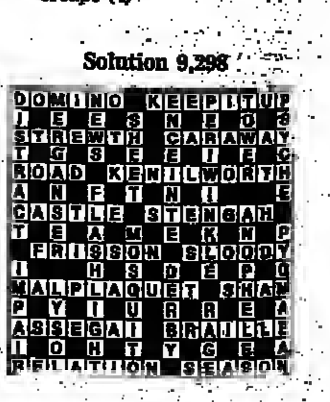
ACROSS

1 Light land ploughed in outskirts of Cambridge (6)
4 Mean chaps take first steps down to this (8)
9 Nearly all soldiers return to Bosnian town (6)
10 One sbowing interest in royalty takes in paper (8)
12 See idol's outrage; rape or something similar (8)
13 Listen, finally taking in last statement (6)
15 Bird in another nest (4)
16 Study can lead to Tolkein's woodmen covering vast areas (10)
19 Fools include rot in stupid statements (10)
20 All ready to show beginners' accomplishments (4)
23 Judge takes submissions initially in suit (6)
25 Adore veteran hopelessly, up to a point (8)
27 Horrible cruelty that is not unknown in old retainer (8)
28 Access to 4 is way, way south (6)
29 Songster specialising in high notes? (8)
30 Sportsman gets second chance if last two return to the front (6)

DOWN

1 Cabinet minister's beginning in firm way (7)
2 Emergent aviators sent out student to get mixed drinks (9)
3 Do real service for artilleryman (6)
5 Girl in van oever paid fare (4)
6 Element in dreadful purge is breaking out (8)
7 Look in a state? Quite the reverse, it's top flight accommodation (5)
8 Denunciations I read out in back street (7)
11 Daft one I'd backed to come up at return of 100 to 1 (7)
14 Small barrel taken in by southern chap (7)
17 My first tailor worked in US city; it's not surprising (9)
18 Poor clot messed up original draft (8)
19 Last resting place for camel, we hear (7)
21 Poet'a son writes to queen (7)
22 First transplant of kidneys without charge (6)
24 Did Bill lay out to get dry? (5)
26 Sucker heard to make escape (4)

Solution 9,298



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Jupiter Tyndall (Bermuda) Ltd

Newport Investment Management

Orion Fund Limited

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Aristocrat Capital Management Ltd

Bermuda Intl Invest Mgmt Ltd

Rutherfield Management Co Ltd

Integral Bond Arbitrage Fund Limited

Orbis Investment Management Ltd

Pallas Smith & Co

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Adams & Neville Fd Mangt (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Henderson Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mgrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Barclays Global Investors Guernsey Ltd

CEC Fund Managers (Guernsey) Ltd

Castle Management (Guernsey) Ltd

Charities Investment

Credit Suisse Fund Mngt (Guernsey) Ltd

GTS Investment Management Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Merrill Lynch Guernsey

Paragon Asset Management Ltd

Rothschild Asset Mngmt (CI) Ltd

Royal Bank of Canada Intl Money Market Fund

Small International (Guernsey) Ltd

Schroder Investment Mngt (Guernsey) Ltd

Sinclair Fund Managers (Guernsey) Ltd

UBK Asset Management (Guernsey) Ltd

U.S. Advisors (Guernsey) Limited

Yamaichi Capital Mngt (Guernsey) Ltd

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BT Fund Managers (Ireland) Ltd

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Clariden Investments Plc

Dresdner Kleinwort Benson Intl Mgt Services Ltd

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Edinburgh Unit Trust Managers (Ireland) Ltd

Global Asset Management

Guinness Flight Select Funds Plc

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Henderson Crosthwaite Investment Co

Lazard Brothers Investment Funds Ltd

Morgan Grenfell Investment Funds Ltd

Murray Johnstone (Dublin) Ltd

Old Mutual International Fd Mngrs Ltd

Prolific International Fund Plc

Scottish Widows Management (Ireland) Ltd

Swiss Life Investment Fund – Protean

Tilney (Ireland) Ltd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Asian Dynamic Growth Fund Plc

Asian Emerging Markets Fund Plc

Baring International Fd Mgrs (Ireland) Ltd

Barings Mutual (Ireland) Ltd

Berkshire KITC Growth Fund Plc

Chemical Ireland Fund Administrators Ltd

Eagle Star European Life Assurance Co Ltd

Emerging Market Growth Fund Plc

F.I.T. Investment Trust Ltd

Frank Russell Investments (Ireland) Ltd

Global Euro-Asia Investment

Goldman Sachs

HSBC UK Equity Plus Plc

Korea Active

Morgan Grenfell Cash & Money Market Plc

Murray Johnstone

Orient Balanced Fund Plc

Pacific 21st Century Fund

Prudential Securities Pacesetter Management Inc

Samsung Yamaichi Asia Growth Fund Plc

Scottish Mutual Intl Fund Managers Ltd

Societe Generale Group

Trainer Wortham & Company Inc

Yamaichi Samsung Dynamic Korea Fund

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F

Bank of Ireland Asset Mngmt (IOM) Ltd

Mercury Fund Managers Intl Ltd

Old Mutual Intl Fd Mngrs (Isle of Man) Ltd

Sun Life International (IoM) Ltd

ISLE OF MAN (REGULATED)(**)

Hill Samuel Fund Managers Ltd

Murray Johnstone

Old Mutual Intl Fd Mngrs (Isle of Man) Ltd

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AIB Fund Managers (CI) Ltd

Fleming Group

Guinness Flight Fund Managers (Jersey) Ltd

INVESCO International Limited

John Govett (Channel Islands) Ltd

Jupiter Fund Managers (Jersey) Ltd

Lloyds Bank (CI) U/T Mgrs

Morgan Grenfell Jersey

Prudential Fund Managers (Jersey) Ltd

Royal Bank of Scotland Intl Mngrs (Jersey) Ltd

Save & Prosper International

TSB Fund Managers (CI) Ltd

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Barclays Global Investors Jersey Ltd

Citibank (CI) Ltd

Coutts (Jersey) Fund Managers Ltd

EBC Fund Managers (Jersey) Ltd

Fleming Group

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

Mercury Asset Mngt Channel Islands Ltd

Perpetual Unit Trust Mngt (Jersey) Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (s)

The Financial Times plans to publish

FTTC - The FT Guide to Telecoms

on Wednesday, March 19

The FT is adopting a new approach to telecoms surveys this year. Coverage of this rapidly expanding and fast changing industry will be concentrated in a regular series of reports, each with a principal theme:

Wednesday, March 19 - Developing Countries and Emerging Markets

Wednesday, June 11 - European Telecoms, including the UK market

Wednesday, September 10 - World Telecoms

Wednesday, November 19 - Wireless Systems

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FT Surveys

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Abtrust Fund Mngrs Luxembourg SA (u)

4 Boulevard Royal L 2449 Luxembourg 00 352 227001

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Global Cap Portfolio			$3.962		-0.031	-
United States Portfolio			$5.920xd		+0.043	-
Contl Europe Portfolio	0		DM7.531		+0.001	-
Japan Portfolio			[illegible]		[illegible]	-
Pacific Portfolio			$6.605		-0.005	-
Gold Portfolio			$5.868		-0.050	-
UK Growth of Income			£2.3922xd		-0.004	3.61
Dollar Portfolio			$1.890xd		+0.001	7.00
Sterling Portfolio			£1.083xd		—	6.30

Aetna Master Fund (u) (x)

21 avenue de la Liberte. L-1931, Lux 00 352 2854 941

	Selling Price	+ or -	Yield Gr's
Australasian NAV	A$17.31	—	-
Austrian Nat NAV	Sch407.29	+0.04	-
Belgo/Lux NAV	BFr686.48	-5.08	-
Dutch Nat NAV	[illegible]	[illegible]	-
French Nat NAV	FFr149.80	-0.84	-
German Nat NAV	DM20.66	+0.03	-
Hongkong Nat NAV	HK$137.21	-1.62	-
Italian Nat NAV	L14253	-98	-
Japanese Nat NAV	Y1130	—	-
Spanish Nat NAV	Pta1514	-1	-
UK Nat NAV	£11.06	—	-
United States Dlr Res	$11.14	—	-

Prices quoted are "A" shares

Fleming Group (u)

Fleming Flagship Fund (daily dealing)

	Selling Price	Buying Price	+ or -	Yield Gr's
FFF American	$56.90	60.10	+0.23	-
FFF Asian Smaller Cos F	$10.63	11.25	-0.03	-
FFF China	$15.72	16.63	+0.05	-
FFF DM Bond	DM11.28	11.86	+0.02	6.50
FFF Eastern Opps	$23.33	24.69	+0.10	-
FFF Emerging Markets F	$10.28	10.88	+0.06	-
FFF European	DM43.13	45.63	+0.39	-
FFF Global Conv F	$18.15	19.20	+0.03	-
FFF Intl Bond F	$13.65	14.44	-0.09	-
FFF Japanese	$13.92	14.73	—	-
FFF Latin American	$13.09	13.85	+0.09	-
FFF Pacific	$21.04	22.26	+0.41	-
FFF Sterling Bond	£1.084	1.147	+0.002	7.50
FFF UK Enterprise	£5.56	5.88	—	-
FFF US Discovery	$44.52	47.10	+0.01	-

Fleming Flagship Series II (Daily Dealing)

	Selling Price	+ or -	Yield Gr's
DM Class F	DM12.356	+0.001	2.83
FFr Class F	FFr64.014	+0.005	2.97
ITL Class F	L21985	+4	6.41
£ Class F	£5.194	+0.001	5.64
US$ Class F	$11.962	+0.002	5.10

American Phoenix Investment Portfolios (u)

12 rue Goethe, L-1637 Luxembourg

LUXEMBOURG (REGULATED)(**)

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INVESTMENT TRUSTS

Financial Times Review

FT Auto

Thursday , March 6

In 1997 the FT will be adopting a new approach to its surveys on the Automotive Industry. FT Auto will now be published as a quarterly review starting this spring, and is essential reading for business readers connected with the industry.
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OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER , PACKAGING & PRINTING

[illegible]

PAPER , PACKAGING & PRINTING - Cont.

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£23¼		*£31½	£20¼	1,884	3.3	ɸ
Barlow		£7¼xd		£9½	£5½	1,486	2.0	14.8
Gold Flds Prop R	†	137½		169	120	14.1	0.9	10.2
MK Props		65		65	60	2.61	13.7	–
SASOL		645		718	517	3,777	1.7	–
SA Brews		218½xd	+½	224½	£13¾	5,463	1.9	ɸ
Standard Bank		£25½		£31½	£21	3,808	1.4	22.7
Tiger Oats		798		1205	770	1,188	2.3	15.4
Tongaat-Hulett		757½xd		1139	876¼	717.1	2.4	ɸ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ɸ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ✝ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
o Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc on capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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Footsie becalmed but SmallCap hits a peak

MARKETS REPORT

By Philip Coggan, Markets Editor

Bulls and bears fought themselves to a standstill yesterday, as some strong economic numbers revived concern about inflationary pressures. The FTSE 100 index closed unchanged at 4,304.3.

Footsie opened strongly in response to another good gain on Wall Street, where the Dow Jones Industrial Average rose 50 points on Tuesday. European markets were also supportive and, after a quarter of an hour, the leading index reached its high for the day of 4,324.3, up 20 points.

A somewhat inaccurate leak about the unemployment data had appeared in a morning paper, but the market nevertheless weakened when the actual figures were announced. The fall in headline unemployment of 67,800 was greater than most analysts had been expecting, but real concerns focused on the average earnings numbers, where the underlying rate edged up to 4.25 per cent from 4 per cent.

Given that most commodity prices have been subdued, the labour market is the most likely source of inflationary pressures. The government is unlikely to act soon to head off this danger. Few expect a change in interest rates before the election, although they think that base rates will rise after the polls, whichever party is victorious.

The market was able to take some comfort from the Bank of England's quarterly inflation report which indicated that the Bank had softened its stance, arguing for an immediate quarter-point rather than a half-point rise in rates.

Having reached a low of 4,293.6 in the late morning, Footsie staged a rally, and was given a further kick by another strong start for the Dow which was up 41 points by the London close.

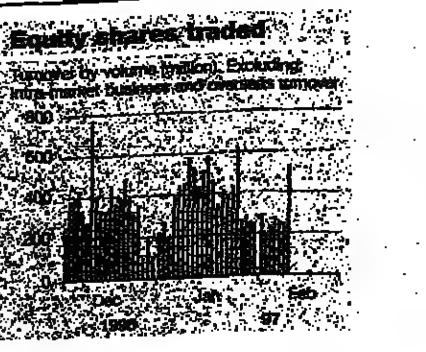
Other markets also reversed direction. Gilts, which were down sharply on the employment data, recovered in the afternoon and the benchmark 10-year issue finished five ticks ahead. Sterling rose above DM2.76 at one point, but dipped back below DM2.75 by the London close.

While Footsie was static, the other main indices moved in opposite directions. The FTSE 250 dropped 12.1 to 4,574.5, while the SmallCap index rose 3.4 to an all-time closing high of 2,330.

Mr Ian Williams, UK equity strategist at Panmure Gordon, said he was "surprised we have been able to hold on to these levels as long as we have. The next few weeks are going to be pretty tricky as far as the results season is concerned. It's hard to see where the good news is going to come from."

Mr Mark Tinker of UBS pointed out that "Equities have had a lovely ride on the back of gilts, which have risen strongly since the end of 1996." Footsie is already close to Tinker's year-end target of 4,800, although he said that if gilt yields end the year at 7.5 per cent his target would move up to 4,500.

Volume was 999.2m shares by the 6pm count, of which just over half was in Footsie stocks. The value of customer business on Tuesday, excluding Crest-transacted trades, was £759.6m.



Indices and ratios

FTSE 100	4304.3	+0.0	FT 30	2827.8	-11.7
FTSE 250	4574.5	-12.1	FTSE Non-Fins p/e	18.31	18.33
FTSE 350	2124.7	-1.1	FTSE 100 Fut Mar	4299.0	-1.0
FTSE All-Share	2097.69	-0.83	10 yr Gilt yield	7.13	7.15
FTSE All-Share yield	3.51	3.51	Long gilt/equity yld ratio	2.05	2.05

Best performing sectors

1 Retailers: Food .... +1.4
2 Media .... +1.2
3 Oil: Integrated .... +0.8
4 Household Goods .... +0.6
5 Telecommunications .... +0.6

Worst performing sectors

1 Engineering .... -2.0
2 Tobacco .... -1.7
3 Engineering: Vehicles .... -1.6
4 Insurance .... -1.5
5 Oil Exploration & Prod .... -1.4

Food retailers bought

By Joel Kibazo and Jeffrey Brown

The bulls of the food retailers took hold of leading issues in the sector which helped produce a bounce in stocks that were already on the slide.

Concerted selling of Safeway in the early part of the session drove shares in the UK's third biggest food retailer to a day's low of 339p.

However, those feeling more positive about the sector and Safeway as a stock later entered the fray. This not only halted the slide, but soon had the stock moving ahead.

By the close, shares in Safeway displayed a net gain of 10 at 356½p, one of the best performing FTSE 100 stocks of the day. Volume had reached 16m by the close.

Asda Group was another stock that reversed its earlier decline to end 2¾ ahead at 114¾p. Turnover was 24m.

Both stocks are favoured by Dresdner Kleinwort Benson which has just issued a detailed note on food inflation.

Analysts at the broker said: "In the last four weeks, food inflation has fallen sharply. This is likely to persist until the autumn, after which we expect a modest recovery. However the response to earnings reductions of 3 per cent has been a 10-15 per cent sectoral devaluation, which looks to be an over-reaction."

Tesco was also on the wanted list and the shares hardened 6¼ to 338p.

International news and information group Reuters bounced from Tuesday's retreat to make it the best performing stock of the day in the FTSE 100 index.

The shares, which fell on a cautious outlook for trading as the company published annual results on Tuesday, recovered yesterday to end the day 24¼ up at 650½p, with 14m dealt.

Media group Pearson, owner of the Financial Times, appreciated 15 to 763½p as the market digested reports that US fund manager Mr Michael Price has acquired a near 1 per cent stake in the UK group. Mr Price is known as a shareholder who pushes management into restructuring moves.

Music company EMI Group rose 35 to 1161½p, as analysts reflected on comments by Dutch group PolyGram suggesting it expects conditions in the world music industry to improve.

Some of the upside pressure on sterling eased yesterday, but currency scares continued to dog the big exporters.

Engineers were notably friendless. Rolls-Royce, off more than 5 per cent, British Aerospace and GEC all featured at the bottom end of the Footsie rankings and there were plenty of second-liners looking equally down in the mouth.

FKI, the subject of a recent "reduce" note from NatWest Securities, came off 11¼ to 180p and T&N, with a 30 per cent sales exposure to the D-mark bloc, retreated 7 to 149¼p.

Mr Zafar Khan at SGST said earnings downgrades across the sector this year ranged from 2 to 5 per cent and the trend clearly had further to run. Rolls ended 12¼ lower at 220p in 16m traded and BAe came off 35¼ to 1190p. Electronics giant GEC fell 9 to 383½p.

Siebe slid 25 to 964½p partly on the news of a 155p a share (£46m) agreed cash bid for Whessoe, the controls group which put out a profits warning last May. Whessoe jumped 65½ to 155½p.

Bid rumours resurfaced at Chubb Security. A combination of strong brands and perceived suspect management periodically sparks takeover talk and yesterday the gossip among brokers pointed to the possibility of a US deal. The shares ended 11¼ better at 341p.

Among conglomerates, BTR continued to trudge lower to extend its decline since the start of the year to 15 per cent. The shares fell 7 to 242p in 18m traded, the second heaviest single day volume this year. There was talk of a line of stock coming on offer.

Profit-taking in Anglo-Dutch consumer products group Unilever saw the shares ease off its record high recorded on Tuesday. They closed 1½ lighter at 1470p with 3.3m traded.

A reiterated "accumulate" recommendation from Merrill Lynch looked the main reason for a rise of 12 to 497p at Wolseley.

The stock has lately lagged behind other leading building-related shares, and the broker is looking for good numbers when the company unveils interim results next month.

Support services group BTG jumped 45 to 516½p to top the FTSE 250 rankings after its drugs side received FDA approval for Benefix, a blood clotting treatment.

Chemicals group ICI was boosted by a recommendation from SBC Warburg which upgraded the stock from "add" to "buy". The shares put on 6½ to 758½p.

However a further advance was curtailed by Salomon Brothers which downgraded its recommendation from "buy" to "hold" and also reduced its profit expectations for both the current and following year.

BP rallied. Down 42½ in two days, the shares recovered 6½ to 700½p in 20m traded helped by buy recommendations from NatWest Securities and Goldman Sachs and vague rumours that a special dividend could be in train.

The former saw this week's weakness for the stock as a buying opportunity while Goldman based reiterated buy advice on a forecast for 1997 earnings of $9.30 per ADR, up from $8.85 last year.

Shell put on 8¼ to 1061p ahead of today's fourth quarter results statement.

Telecoms shares pushed ahead on a broad front supported by a positive 60-page sector review from NatWest Securities and an earnings upgrade for Cable and Wireless from Merrill Lynch.

The NatWest research stresses the rapid movement in ownership and technology within the sector over the past 12 months and looks for continued change in the coming year. It is notably keen on BT and Orange, but urges clients to take profits on Vodafone.

Merrill's contribution to the improved sector sentiment was an earnings upgrade to £1.3bn for C&W and an increase to 600p for its target price on the stock. C&W gained 12¼ to 508½p.

BT put on 3 to 441½p in turnover of 20m, and Orange added 4 to 214½p. Vodafone came off 6 to 279½p.

Some brewery stocks had another strong day with Scottish and Newcastle adding 9¼ to 691p and Whitbread up 16 at 816½p. There was an analysts' visit to Whitbread's David Lloyd and restaurant operations on Tuesday, but little price-sensitive information was said to have emerged.

FT 30 INDEX

	Feb 12	Feb 11	Feb 10	Feb 7	Feb 6	Yr ago	*High	*Low
FT 30	2827.8	2839.5	2839.9	2842.4	2826.7	2738.7	2885.2	2668.8
Ord. div. yield	4.07	4.07	4.08	4.07	4.10	3.84	4.22	3.79
P/E ratio net	17.47	17.51	17.47	17.48	17.38	17.12	17.55	15.80
P/E ratio nil	17.31	17.34	17.30	17.31	17.21	16.90	17.38	15.71

FT 30 since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2846.5	2846.0	2842.0	2831.8	2825.3	2827.0	2826.1	2828.7	2828.6	2848.7	2824.6

	Feb 12	Feb 11	Feb 10	Feb 7	Feb 6	Yr ago
SEAQ bargains	47,304	48,221	52,854	46,839	44,318	31,852
Equity turnover (£m)†	-	758.6	843.6	801.1	729.2	1974.2
Equity bargains†	-	15,187	17,620	18,568	14,960	37,036
Shares traded (ml)†	-	305.8	525.3	247.3	260.5	648.4

†Excluding intra-market and overseas turnover.

	Feb 12	Feb 11	Feb 10	Feb 7	Feb 6	Yr ago	*High	*Low
FTSE AIM	1130.3	1128.4	1133.6	1136.1	1130.7	1044.8	1140.4	985.7

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■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	581	Total Highs	189	Total contracts	53,645
Total Falls	636	Total Lows	41	Calls	25,770
Same	1,290			Puts	27,875

Feb 12 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4317.0	4299.0	-2.0	4320.0	4281.0	11707	59091
Jun	4308.0	4318.5	-2.0	4314.5	4303.5	150	5531
Sep		4345.0	-2.0			0	1901

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4608.0	4594.0	-28.0	4606.0	4594.0	26	6401

■ FTSE 100 INDEX OPTION (LIFFE) (*4305) £10 per full index point

	4150 C	4150 P	4200 C	4200 P	4250 C	4250 P	4300 C	4300 P	4350 C	4350 P	4400 C	4400 P	4450 C	4450 P	4500 C	4500 P
Feb	167½	3½	118	7	74½	13	37½	28½	14½	57	3	103	1	153	1	203
Mar	174	25½	134½	36	98½	50	69	71	45	97	26	129	13½	168½	7	213
Apr	196	48½	158½	61	127½	79½	98½	98	73	123½	58½	151½	34	185½	20½	223½
May	222	66	184	78½	150½	95	116	112½	93	137	70	163	52½	196	37	231½
Jun†			208	93½			146½	132			95½	161			55	243½

Calls 3,807 Puts 8,571

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4125 C	4125 P	4175 C	4175 P	4225 C	4225 P	4275 C	4275 P	4325 C	4325 P	4375 C	4375 P	4425 C	4425 P	4475 C	4475 P
Feb	188	3½	140	5½	94½	10	54	19	24½	39½	6	73	2	116½	1	165
Mar	194	21½	153	30	117	43½	84½	60½	58½	82½	35½	111	28½	145½	11	185½
Apr	212½	39½	174½	51	140	66	108	84	81½	106	58½	133	48½	164	28	199
Jun	258½	70			191	99½			132	138			84½	189		
Sept	311	98½			244	128			185½	166½			133½	211		

Calls 7,285 Puts 6,393 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996/97 High	1996/97 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	P.P.	26.2	57½	49½	BZW Endwmt Fed	55		-	-	-	-
§	F.P.	8.87	180	128½	†C&B Publishing	175	-5	-	-	-	-
§	F.P.	3.25	9½	3	†Celdon Group	3¼		-	-	-	-
§	F.P.	1.60	1	½	†Do Warrants	1		-	-	-	-
100	F.P.	12.8	93½	88½	Enterprise Vn Cp	89½		-	-	-	-
	F.P.	14.2	55	55	†Epicore Nwork	55		-	-	-	-
§100	F.P.	16.0	296	173½	†GB Railways	182½	-15	-	-	-	-
§145	F.P.	12.3	175	150	†Hardy Underwrtg	167		-	-	-	-
§135	F.P.	55.3	179½	137½	IMS Group	167½	-2	3.0	2.1	2.2	21.9
§	F.P.	5.53	4	3¾	†John Lewis	4		-	-	-	21.4
*	F.P.	8.04	62½	45½	†Netcall	57½		-	-	-	-
§68	F.P.	33.4	72½	42½	†Oxford Biomedica	52½	-2	-	-	-	-
§65	F.P.	16.1	80½	65½	Parkwood	75½		R1.82	1.3	3.0	25.3
§100	F.P.	24.5	123½	87½	Prelude Tst	117½		-	-	-	-
§	F.P.	1.77	51	22½	Do Warrants	42½		-	-	-	-
§585	F.P.	81.9	782½	652½	Sunderland	780		R4.8	7.0	0.8	18.2
*	F.P.	13.7	137	125	†Sutton Harbour	137		Z1.2	1.8	1.1	18.5
§100	F.P.	8.48	105	99	Tea Plantations	103½	+½	-	-	-	-
§	F.P.	0.37	29½	24½	Do Warrants	29½	+4½	-	-	-	-
§	F.P.	5.84	24½	24½	†Zicor Mining	24½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Feb 11	% chg on day	Feb 10	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	1686.55	-0.6	1696.74	2382.36	1.99	-	2406.93	1674.61
■ Regional Indices								
Africa (14)	2017.36	+0.4	2009.87	3337.83	4.50	29.76	3337.83	1918.45
Australasia (7)	1978.06	+1.8	1942.71	2720.06	2.53	21.67	2861.03	1941.72
North America (12)	1555.80	-1.5	1579.35	2058.73	0.84	57.88	2134.81	1550.58

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Feb 12	Day's chge%	Feb 11	Feb 10	Feb 7	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4304.3	.....	4304.3	4307.7	4307.8	3745.0	3.61	2.11	16.38	5.06	1802.90
FTSE 250	4574.5	-0.3	4586.6	4596.7	4582.1	4161.7	3.37	1.51	24.56	7.94	1678.30
FTSE 250 ex IT	4612.4	-0.3	4626.6	4636.9	4634.6	4168.8	3.46	1.53	23.57	8.11	1898.49
FTSE 350	2124.7	-0.1	2125.8	2128.1	2127.7	1865.8	3.57	1.99	17.58	2.74	1818.40
FTSE 350 Higher Yield	2049.3	-0.2	2053.1	2053.3	2050.4	1865.4	4.61	1.85	14.68	3.03	1480.03
FTSE 350 Lower Yield	2206.6	+0.1	2204.8	2209.4	2211.7	1871.3	2.60	2.27	22.00	2.42	1551.84
FTSE SmallCap	2330.05	+0.1	2326.58	2326.31	2322.08	2033.26	2.92	1.65	25.89	4.23	1950.36
FTSE SmallCap ex IT	2341.23	+0.1	2338.19	2337.50	2334.23	2006.77	3.08	1.73	23.46	4.63	1974.39
FTSE All-Share	2097.69	.....	2098.52	2100.56	2089.88	1841.04	3.61	1.87	18.04	2.79	1822.61

■ FTSE Actuaries Industry Sectors

	Feb 12	Day's chge%	Feb 11	Feb 10	Feb 7	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(21)	4037.77	+0.4	4021.80	4121.21	4159.87	3310.55	3.80	2.02	17.22	0.00	1769.85
12 Extractive Industries(5)	3845.33	-0.8	3875.80	3880.01	3919.41	4265.56	4.20	2.68	11.10	0.00	1146.39
15 Oil, Integrated(3)	4178.40	+0.8	4145.13	4257.12	4301.46	3381.06	3.78	1.92	17.24	0.00	1881.80
16 Oil Exploration & Prod(13)	3512.99	-1.4	3564.66	3683.74	3685.84	2157.78	1.48	1.90	44.57	0.00	2129.84
20 GEN INDUSTRIALS(273)	1985.30	-1.1	2006.77	2008.31	2013.94	2018.12	3.88	1.87	17.24	1.85	1111.83
21 Building & Construction(35)	1347.86	-0.2	1350.88	1350.10	1351.52	1053.91	3.05	1.82	25.33	0.44	1151.15
22 Building Matls & Merchs(31)	1869.07	+0.1	1866.92	1867.12	1861.58	1882.21	4.17	1.39	21.81	0.44	966.18
23 Chemicals(26)	2328.83	-0.2	2334.21	2327.17	2325.18	2418.92	4.48	1.42	19.69	0.56	1130.79
24 Diversified Industrials(17)	1461.99	-1.3	1480.61	1487.30	1488.07	1756.56	4.42	2.59	10.95	4.02	847.93
25 Electronic & Elect Equip(39)	2294.68	-1.4	2326.14	2323.94	2321.59	2313.95	3.41	1.34	27.34	0.44	1216.92
26 Engineering(71)	2499.64	-2.0	2551.77	2569.93	2583.76	2253.71	3.27	2.34	18.32	3.67	1548.99
27 Engineering, Vehicles(13)	2806.71	-1.6	2853.68	2856.30	2905.78	2605.48	3.84	1.71	18.02	0.25	1482.56
28 Paper, Pckg & Printing(27)	2478.74	-0.6	2493.12	2474.72	2482.01	2647.40	4.19	1.79	16.64	0.00	1057.33
29 Textiles & Apparel(14)	1079.26	-0.9	1088.70	1076.70	1081.87	1465.51	8.51	1.28	15.02	0.00	682.87
30 CONSUMER GOODS(85)	3950.56	-0.6	3969.50	3905.83	3893.79	3642.79	3.68	1.86	18.36	8.23	1497.22
32 Alcoholic Beverages(7)	2632.51	-0.3	2639.61	2612.77	2632.79	2618.70	4.90	1.87	13.64	31.28	986.09
33 Food Producers(25)	2731.67	-0.2	2736.17	2666.41	2644.32	2556.84	3.96	1.80	17.47	5.00	1266.55
34 Household Goods(17)	2723.07	+0.6	2705.76	2665.09	2663.55	2616.79	3.69	2.23	15.15	1.06	1099.45
36 Health Care(18)	2223.40	+0.3	2215.75	2201.78	2187.56	1945.79	2.65	1.89	24.93	3.40	1375.85
37 Pharmaceuticals(16)	6161.18	-0.5	6192.93	6127.10	6096.64	5210.52	2.75	1.73	26.25	0.00	2128.96
38 Tobacco(2)	4380.61	-1.7	4455.59	4302.52	4306.07	4769.11	5.92	2.13	6.92	0.00	1128.08
40 SERVICES(273)	2651.93	+0.4	2641.40	2646.57	2648.25	2312.91	2.85	2.01	21.87	6.16	1409.63
41 Distributors(30)	2787.25	-0.4	2798.63	2853.40	2867.24	2607.68	3.04	2.00	20.54	0.00	1047.88
42 Leisure & Hotels(31)	3439.54	.....	3439.15	3430.52	3442.12	2651.43	2.53	2.08	24.00	16.16	1881.51
43 Media(44)	4334.08	+1.2	4281.00	4287.17	4304.69	3793.40	2.19	2.12	26.96	3.38	1588.83
44 Retailers, Food(15)	1938.44	+1.4	1911.85	1961.77	1972.32	1918.31	4.06	2.31	13.26	4.09	1294.73
45 Retailers, General(53)	2060.58	-0.7	2075.28	2076.87	2078.79	1921.72	3.16	2.02	18.58	6.94	1207.72
47 Breweries, Pubs & Rest.(22)	3421.48	+0.6	3402.70	3368.40	3352.18	2959.59	3.17	2.10	18.79	13.49	1685.98
48 Support Services(56)	2967.20	+0.8	2944.55	2921.41	2914.91	2028.25	1.69	2.44	30.28	1.18	1916.29
49 Transport(22)	2780.74	+0.1	2778.23	2782.93	2781.57	2302.50	3.46	1.26	28.78	6.35	1181.31
60 UTILITIES(29)	2735.64	+0.5	2722.38	2729.40	2732.70	2466.05	4.88	1.71	14.87	5.11	1243.18
62 Electricity(9)	2896.31	+0.5	2884.51	2920.42	2936.87	2755.67	5.91	2.18	9.71	22.08	1600.86
64 Gas Distribution(1)	1608.27	.....	1608.27	1638.55	1638.55	1813.35	7.58	0.54	30.72	0.00	890.00
66 Telecommunications(8)	2305.68	+0.6	2291.51	2272.76	2272.37	2029.88	3.62	1.56	22.05	0.00	1088.48
68 Water(11)	2529.04	+0.4	2519.75	2554.92	2553.17	2097.57	5.89	2.31	9.17	0.00	1462.71
69 NON-FINANCIALS(681)	2135.89	-0.1	2137.72	2139.33	2142.53	1944.18	3.61	1.89	18.31	3.47	1667.64
70 FINANCIALS(106)	3949.56	+0.1	3946.19	3952.95	3928.13	2935.73	3.37	2.39	15.54	1.05	1743.81
71 Banks, Retail(8)	5782.15	+0.5	5752.06	5785.48	5764.24	4174.47	3.15	2.74	14.49	0.00	1935.47
73 Insurance(18)	1777.24	-1.5	1804.84	1790.37	1763.23	1393.87	4.70	2.31	11.52	1.72	1378.61
74 Life Assurance(7)	4652.51	-0.4	4671.81	4614.21	4559.82	3520.79	3.34	1.79	20.98	0.00	1878.06
77 Other Financial(29)	3185.17	+0.1	3181.11	3190.84	3162.91	2549.21	3.18	2.04	18.25	1.32	1862.72
79 Property(44)	1858.30	-0.3	1864.21	1867.03	1858.49	1453.67	3.43	1.39	27.41	2.57	1176.18
80 INVESTMENT TRUSTS(127)	3310.92	+0.2	3303.20	3307.87	3290.70	3157.82	2.16	1.13	51.46	3.97	1174.22
89 FTSE All-Share(914)	2097.69	.....	2098.52	2100.59	2089.88	1841.04	3.51	1.97	18.04	2.79	1822.61
FTSE Fledgling	1317.45	+0.5	1311.38	1308.96	1305.35	1146.46	2.94	0.53	80.00†	2.47	1404.41
FTSE Fledgling ex IT	1339.77	+0.5	1332.79	1329.68	1326.60	1141.79	3.21	0.46	80.00†	2.52	1430.45

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4318.4	4319.9	4312.1	4298.5	4293.8	4297.9	4299.0	4308.4	4305.1	4324.3	4293.6
FTSE 250	4587.1	4589.7	4586.5	4581.7	4576.6	4574.1	4573.7	4574.6	4575.1	4590.0	4573.4
FTSE 350	2130.5	2132.2	2128.8	2123.1	2120.7	2122.1	2122.5	2124.3	2125.0	2133.6	2120.7

Time of FTSE 100 Day's high: 8.47 AM Day's low: 11:44 AM. FTSE 100 1996/97 High: 4307.8 (07/02/97) Low: 3632.3 (18/07/96).

■ FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1301.5	1299.8	1297.5	1299.0	1297.7	1297.7	1297.7	1296.5	1298.3	1298.3	1302.8	-4.6
Pharmaceuticls	6120.8	6122.8	6099.0	6070.6	6059.0	6068.5	6073.5	6076.3	6076.3	6075.8	6108.8	-33.2
Water	2496.8	2511.7	2511.4	2507.7	2507.6	2508.3	2520.9	2520.9	2521.3	2522.2	2512.8	+9.4
Banks, Retail	5830.1	5848.1	5840.8	5823.5	5824.3	5837.9	5842.0	5854.8	5854.5	5855.9	5825.5	+30.4

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FTSE International Limited 1997. All Rights reserved. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,300	526	+2½
ASDA Group†	24,400	114¾	+2¼
Abbey National†	2,600	793	+10
Airtours	621	937½	+11½
Albert Fisher	1,300	42¼	-½
Allied Domecq†	5,300	422	-6½
Anglian Water	886	629½	+8
Argos†	423	692½	+½
Arjo Wiggins	1,200	159	-4
Assoc. Brit. Foods†	440	498½	+½
Assoc. Brit. Ports	2,400	311½	+3
BAA†	2,500	541	+6
BAT Inds.†	16,800	525	-10½
BBA	2,000	328	-17
BICC	956	287½	-2½
BOC†	2,800	945½	-1
BP†	22,700	700½	+6½
BPB	2,800	341	-6½
BSkyB†	3,800	653½	+7
BT†	20,400	441½	+3
BTR†	18,600	242	-7
Bank of Scotland†	4,800	350½	-4
Barclays†	3,200	1178	+1½
Bass†	2,700	865½	-4½
Blue Circle†	1,600	408½	-7½
Booker	292	354½	
Boots†	4,200	686	-9½
Britannic	383	797½	-1
Brit. Aerospace†	2,800	1190	-35½
British Airways†	7,900	590½	+1½
British Biotech	3,500	248½	-1½
British Energy	2,900	146½	+2½
British Gas†	18,900	239	
British Land	2,300	513	-5½
British Steel†	13,600	140¾	-1
Bunzl	541	206	-3½
Burmah Castrol†	1,300	1025	-9½
Burton†	5,900	148¼	+2
Cable & Wire†	8,400	508½	+12½
Cadbury Schweppes†	3,100	478½	-9½
Caradon	5,000	266	+4
Carlton Comms.†	774	546½	-4
Chubb	1,100	341	+11½
Coats Viyella	2,600	131	-2
Comm. Union†	5,700	725½	-20½
Compass	1,200	720	+7
Cookson	4,200	241	-6
Courtaulds	4,500	385½	-6½
Dalgety	573	342	+½
De La Rue	728	594½	+½
Dixons†	2,200	491	-4½
EMAP	82	810	+1
EMI†	2,200	1161½	+35
Electrocomps	1,100	416	-9½
Eng China Clays	602	191	+½
Enterprise Oil†	3,800	638½	+10
FKI	5,000	180	-11½
Foreign & Col. I.T.	1,100	155½	+¼
Gen. Accident†	2,400	862½	-4
General Elect.†	5,700	383½	-9
Glaxo Wellcome†	5,600	1010	-7
Glynwed	1,600	303	-11
Granada†	1,300	891	-½
Grand Met.†	4,400	442	-3½
GUS†	2,000	619½	-6
Greenalls	238	549	+1½
GRE†	4,200	295	-6
GKN†	3,500	988½	-15
Guinness†	4,400	489½	+4
HSBC (75p shs)†	2,100	1543	+10
Hammerson	1,100	424	-3½
Hanson†	11,800	87¾	-¼
Harrisons Crosfield	1,000	129	+½
Hays†	2,300	585½	+4½
Hillsdown	988	182½	
Hyder	387	832½	+2½
IMI	2,100	378	-6
ICI†	4,300	758½	+6½
Imperial Tobacco†	4,800	408	+2
Inchcape	1,300	261	+4½
Johnson Matthey	112	560½	-7½
Kingfisher†	743	668½	-2½
Kwik Save	203	286	
Ladbroke†	2,300	234½	+½
Land Securities†	2,400	785	-6½
Laporte	568	672½	+1
Legal & General†	5,000	412½	-½
Lloyds TSB†	8,500	469½	+6½
LASMO†	3,600	236	-3
Lonrho	2,100	128½	-½
LucasVarity†	5,900	194	-6½
MEPC	505	465½	
MFI	1,300	168	+1
Marks & Spencer†	5,100	481	-11
Mercury Asset Man†	428	1308½	+3
Morrison (Wm.)	268	144½	-½
NFC	2,100	156	-7½
NatWest Bank†	5,700	829	+½
National Grid†	3,200	204	-½
National Power†	6,800	511	+6
Next†	1,400	569	+2½
Northern Foods	301	214	
Orange†	9,800	214½	+4
Pearson†	1,000	763½	+15
P & O†	2,800	665	+2½
Pilkington	6,500	134½	-½
PowerGen†	1,900	655	+15
Premier Farnell	974	537	-3
Provident Financial	283	545	-1½
Prudential†	2,000	579½	-5½
REXAM	2,200	328	-1½
RMC†	545	945½	+½
RTZ†	2,200	901½	-8
Racal	678	263	-2½
Railtrack†	2,400	390½	+2
Rank Group†	2,400	422½	-2
Reckitt & Colman†	1,500	735	+7½
Redland†	2,700	343½	+5
Reed Intl.†	1,900	1069½	-10½
Rentokil Initial†	13,200	438	+3½
Reuters†	14,400	650½	+24¼
Rolls Royce†	17,800	220	-12¼
Royal & Sun Alliance†	11,000	504	-8
Royal Bk Scotland†	4,000	617½	+1
Safeway†	16,800	356½	+10
Sainsbury†	13,600	314	-½
Schroders†	143	1757½	+7½
Scottish & New.†	2,800	691	+9¼
Scot. Hydro-Elec.	1,000	349	+1½
Scottish Power†	1,500	358	-9½
Sears	7,800	83½	
Securicor	2,800	297½	+1
Sedgwick	1,100	129½	-3½
Severn Trent†	2,100	715	-6
Shell Transport†	6,800	1061	+8¼
Siebe†	2,000	964½	-25
Slough Ests	78	278	-1½
Smith (W.H.)	944	438½	+6
Smith & Nephew†	3,500	179	
SmKl Beecham†	3,800	858	-4½
Smiths Inds.†	2,100	783½	-6½
Southern Elect	1,200	781½	-3½
South West Water	308	675½	-1
Stagecoach	230	721½	-2½
Standard Chartd.†	1,300	805½	-8½
Storehouse	6,600	302½	+6½
T&N	1,800	149¼	-7
TI Group†	972	517	-6
Tarmac	1,600	97½	-½
Tate & Lyle†	889	455½	-2
Taylor Woodrow	374	180½	+½
TeleWest Comms	327	115	+1
Tesco†	10,800	338	+6¼
Thames Water†	1,000	674	+9
Thorn	2,000	204½	
Tomkins†	4,800	280½	+2
Unigate	357	457½	+1½
Unilever†	3,300	1470	-1½
United Biscuits	5,100	227½	-3
Utd. News & Media†	749	668½	-1
United Utilities†	1,400	690	+4½
Vodafone†	5,900	279½	-6
WPP	135	245	
Wessex Water	1,100	386	-8
Whitbread†	3,300	816½	+16
Williams Hldgs.†	1,300	384½	+½
Willis Corroon	228	130½	+½
Wimpey	9,800	135	+2½
Wolseley†	1,800	497	+12
Yorkshire Elect	611	828½	
Yorkshire Water	249	752½	+2½
Zeneca†	1,200	1772	+6½

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trades are rounded. Source: Reuters, part of FT Information.

IN INDONESIA WE PROTECT THE RAINFOREST WITH FISH.

A WWF project has resulted in over a hundred fish ponds being built in the Irian Jaya rainforest in eastern Indonesia.

The fish ponds provide a much needed, reliable source of income and food for the local community.

They also produce an invaluable by-product: a reason for the villagers to take care of the local rain forest.

The ponds require a supply of clean, fresh water. This is only available throughout the year if water-retaining roots of the neighbouring trees are kept intact. Which gave WWF good reason to provide plans and concrete for the ponds, and fish to stock them with.

And because we believe it is more important to motivate by physical example than by just giving advice, WWF agricultural extension workers helped to construct concrete tanks and dig fish ponds. Now an entire community benefits, and the entire community runs the fish pond programme without outside help.

If you would like to help us set up practical projects to save the rainforests, write to the Membership Officer at the address below.

WWF World Wide Fund For Nature (formerly World Wildlife Fund) International Secretariat, 1196 Gland, Switzerland.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 12 / Sch)

BELGIUM/LUXEMBOURG (Feb 12 / Frs.)

CZECH REP (Feb 12 / Koruna)

DENMARK (Feb 12 / Kr)

FINLAND (Feb 12 / Mka)

FRANCE (Feb 12 / Frs.)

GERMANY (Feb 12 / Dm.)

GREECE (Feb 12 / Drachma)

ITALY (Feb 12 / Lira)

NETHERLANDS (Feb 12 / Fls.)

NORWAY (Feb 12 / Kroner)

POLAND (Feb 12 / Zloty)

PORTUGAL (Feb 12 / Escudo)

SPAIN (Feb 12 / Pts)

SWEDEN (Feb 12 / Kronor)

SWITZERLAND (Feb 12 / Frs.)

TURKEY (Feb 12 / Tk Lira)

PACIFIC

JAPAN (Feb 12 / Yen)

HONG KONG (Feb 12 / H.K.$)

INDONESIA (Feb 12 / Rupiah)

MALAYSIA (Feb 12 / MYR)

NEW ZEALAND (Feb 12 / NZ $)

SINGAPORE (Feb 12 / S$)

AUSTRALIA (Feb 12 / Aust$)

SOUTH KOREA (Feb 12 / Won)

TAIWAN (Feb 12 / TW $)

THAILAND (Feb 12 / Baht)

AFRICA

SOUTH AFRICA (Feb 12 / Rand)

NORTH AMERICA

CANADA

TORONTO (Feb 12 / Can $)
4 pm close

MONTREAL (Feb 12 / Can $)
4 pm close

Industrial Automation,
Avionics & Communication,
Semiconductor Systems,
Automotive.
Four strong leadership businesses
- with Rockwell the single key
component.

Rockwell

INDICES

	Feb 12	Feb 11	Feb 10	1996/97 High		1996/97 Low	
Argentina							
General(29/12/77)	(u)	20338.03	20207.07	20381.80	3/2/97	18297.20	22/8/96
Australia							
All Ordinaries(1/1/80)	2473.5	2448.1	2446.4	2473.50	12/2/97	2098.10	17/7/96
All Mining(1/1/80)	948.0	940.8	941.3	1118.40	8/5/96	903.80	13/12/96
Austria							
Credit Aktien(30/12/84)	405.00	403.25	403.45	405.00	12/2/97	340.19	6/8/96
Traded Index(2/1/91)	1208.49	1200.23	1201.96	1208.49	12/2/97	976.27	2/1/96
Belgium							
BEL20(1/1/91)	2087.63	2080.94	2088.58	2088.58	10/2/97	1574.90	2/1/96
Brazil							
Bovespa(29/12/83)	(u)	(c)	(c)	83166.00	7/2/97	43001.00	2/1/96
Canada							
Metals Mnls◆(1975)	(u)	5410.30	5408.42	5824.68	8/5/96	4087.47	18/1/96
Composite◆(1975)	(u)	6126.90	6081.30	6145.40	4/2/97	4738.70	15/1/96
Portfolio§§(4/1/83)	(u)	3084.10	3055.15	3084.16	11/2/97	2327.39	12/1/96
Chile							
IGPA Gen♥(31/12/80)	(u)	5361.63	5317.02	5804.33	8/1/96	4868.17	18/12/96
Denmark							
CopenhagenSE(3/1/83)	532.11	538.07	530.29	532.11	12/2/97	368.40	2/1/96
Finland							
HEX General(28/12/90)	2835.30	2837.45	2821.91	2837.45	11/2/97	1881.67	10/1/96
France							
SBF 250(31/12/90)	1748.49	1733.04†	1736.62	1748.49	12/2/97	1260.16	2/1/96
CAC 40(31/12/87)	2599.33	2582.09	2596.37	2599.33	12/2/97	1897.80	11/1/96
Germany							
FAZ Aktien(31/12/58)	1108.68	1099.80	1096.11	1108.68	12/2/97	818.58	2/1/96
Commerzbank(1/12/53)	3223.00	3197.30	3186.80	3223.00	12/2/97	2370.10	2/1/96
DAX‡(30/12/87)	3216.14	3187.58	3184.36	3216.14	12/2/97	2284.85	2/1/96
Greece							
Athens SE(31/12/80)	1252.37	1244.59	1220.69	1252.37	12/2/97	872.99	7/8/96
Hong Kong							
Hang Seng(31/7/64)	13462.61	13454.21	13643.54	13868.20	20/1/97	10204.90	2/1/96
India							
BSE Sens.(1979)	3483.48	3502.27	3443.55	4069.28	18/6/96	2745.06	4/12/96
Indonesia							
Jakarta Comp.(10/8/82)	701.05	(c)	(c)	701.05	12/2/97	512.48	2/1/96
Ireland							
ISEQ Overall(4/1/88)	2982.59	2981.79	2977.51	2982.59	12/2/97	2234.81	2/1/96
Italy							
Banca Comm Ital(1972)	797.77	789.42	797.71	797.71	10/2/97	572.21	27/3/96
MIB General(2/1/97)	1182.0	1185.0	1187.0	1197.00	10/2/97	991.00	2/1/97
Japan							
Nikkei 225(16/5/49)	18409.96	(c)	18181.17	22666.80	26/6/96	17303.70	10/1/97
Nikkei 300(1/10/82)	262.24	(c)	258.86	319.70	26/6/96	251.04	27/1/97
Topix(4/1/68)	1388.43	(c)	1354.89	1722.13	26/6/96	1326.80	27/1/97
2nd Section(4/1/68)	1721.55	(c)	1716.23	2251.48	2/7/96	1716.23	10/2/97
Malaysia							
KLSE Comp.(4/4/86)	1254.42	(c)	(c)	1254.42	12/2/97	993.10	3/1/96
Mexico							
IPC(Nov 1978)	(u)	3750.03	3679.13	3750.03	11/2/97	2736.36	8/3/96
Netherland							
CBS TtlRtnGen(End 83)	822.6	812.9	809.6	822.60	12/2/97	639.50	3/1/96
CBS All Shr(End 83)	482.8	477.1	475.2	482.80	12/2/97	326.70	2/1/96
New Zealand							
Cap. 40(1/7/86)	2326.27	2310.00	2330.26	2440.21	20/1/97	2025.14	7/6/96
Norway							
Oslo SE(Ind)(2/1/83)	1835.23	1831.02	1851.26	1852.14	7/2/97	1259.68	30/1/96
Philippines							
Manila Comp(2/1/85)	3339.83	3358.70	3386.02	3447.60	3/2/97	2578.97	3/1/96
Portugal							
BVL 30(4/1/93)	2578.66	(c)	2583.91	2590.07	7/2/97	1602.81	2/1/96
Singapore							
SES All-S'pore(2/4/75)	561.49	554.04	(c)	610.37	5/2/96	503.78	21/10/96
South Africa							
JSE Gold(28/9/78)	1360.0♥	1358.3	1350.4	2089.49	28/5/96	1339.00	3/2/97
JSE Ind.(28/9/78)	8262.8♥	8293.1	8286.5	8739.30	25/1/96	7688.98	17/12/96
South Korea							
KoreaCmpEx‴(4/1/80)	712.50	713.43	709.79	986.84	7/5/96	611.05	7/1/97
Spain							
Madrid SE(30/12/85)	475.01	473.24	475.55	479.68	21/1/97	323.75	11/1/96
Sweden							
AffaersvaerldesGen(1/2/37)	(u)	2644.5	2646.5	2646.50	10/2/97	1708.50	22/1/95
Switzerland							
Swiss Bk Ind(31/12/58)	2143.34	2132.64	2119.58	2143.34	12/2/97	1516.19	17/1/96
SBC General(1/4/87)	1489.02	1477.78	1471.58	1489.02	12/2/97	1114.47	28/1/96
Taiwan							
WeightedPr.‴(30/6/66)	7424.10	7418.47	(c)	7424.10	12/2/97	4680.22	8/2/96
Thailand							
Bangkok SET(30/4/75)	722.57	733.99	737.23	1415.04	6/2/96	722.57	12/2/97
Turkey							
IMKB Nat 100(1986)	1578.00	(c)	(c)	1700.00	27/1/97	388.00	2/1/96
WORLD							
MS Capital Intl(1/1/70)	834.6*	832.5	831.7	837.20	25/11/96	725.90	15/1/96
CROSS-BORDER							
Eurotrack 100(26/10/90)	2143.59	2133.29	2123.68	2143.59	12/2/97	1504.40	11/1/96
Euro Top-100(26/6/90)	1806.73	1797.38	1798.20	1806.73	12/2/97	1333.01	11/1/96
HSBC JC Drgn(31/12/88)	(u)	422.09	424.88	429.46	20/1/97	344.19	2/1/96
ING Brngs Emrg(7/1/92)	(u)	175.48	175.45	176.48	11/2/97	147.35	2/1/96

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index)							
Feb	2617.0	2605.0	+14.0	2621.0	2590.0	12,003	26,264
Mar	2624.5	2611.5	+14.0	2626.5	2598.5	797	23,062
■ DAX							
Mar	3228.0	3224.0	+19.5	3252.0	3198.0	33,651	-
Jun	3247.0	3238.0	+16.0	3264.5	3218.0	226	37,523
■ OMX							
Feb	2078.00	2065.00	-2.00	2081.00	2061.00	4,832	20,325
Mar	2084.50	2089.75	-1.50	2086.00	2069.25	1,122	-
■ SOFFEX							
Feb	4445.0	4454.0	+45.0	4460.1	4428.0	7,150	23,724
Mar	4440.0	4459.6	+81.0	4460.8	4432.5	817	1,741

‴ Sat Feb 8 : Taiwan Weighted Price (c) ; Korea Comp Ex (c) . Base values of all indices are 100 except: Australia All Ord and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; IMKB Nat 100 - 1: NYSE All Common - 50; Standard & Poor's - 10 and Amex Comp - 550 §§ Montreal. ◆ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 12 - 3211.01 +19.56 † Correction. * Calculated at 15.00 GMT ♣ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ◆ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Feb 11	Feb 10	Feb 7	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Industrials	6858.11	6806.54	6855.80	6883.90 (21/1/97)	5032.94 (10/1/96)	6883.90 (21/1/97)	41.22 (8/7/32)
Home Bonds	103.41	103.35	103.43	106.09 (14/2/96)	100.99 (15/7/96)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2322.87	2315.47	2331.50	2355.23 (22/1/97)	1882.71 (16/1/96)	2355.23 (22/1/97)	13.23 (8/7/32)
Utilities	231.34	230.78	230.50	248.86 (22/1/97)	204.86 (30/7/96)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6887.26 (6808.14) Low 6756.90 (6771.14) (Theoretical◆)
Day's high 6860.81 (6876.58) Low 6788.48 (6786.45) (Actual◆)

Standard and Poors	Feb 11	Feb 10	Feb 7	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Composite‡	789.59	785.43	789.56	789.59 (11/2/97)	598.48 (10/1/96)	789.59 (11/2/97)	4.40 (1/6/32)
Industrials♥	922.25	917.06	923.10	924.97 (4/2/97)	702.07 (15/1/96)	924.97 (4/2/97)	3.52 (30/6/32)
Financial	91.35	90.98	90.93	91.30 (11/2/97)	58.67 (10/1/96)	91.36 (11/2/97)	7.13 (4/9/74)
NYSE Comp.	414.09	412.35	413.80	414.09 (11/2/97)	321.41 (10/1/96)	414.09 (11/2/97)	4.64 (25/4/42)
Amex Comp.	589.24	587.84	588.61	617.61 (22/5/96)	524.20 (16/7/96)	617.61 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1331.51	1335.34	1357.71	1388.06 (22/1/97)	988.57 (15/1/96)	1388.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Feb 7	Jan 31	Jan 24	Year ago
Dow Jones Ind. Div. Yield	1.95	1.96	1.99	2.13
	Feb 5	Jan 29	Jan 22	Year ago
S & P Ind. Div. yield	1.78	1.78	1.74	1.88
S & P Ind. P/E ratio	24.09	23.98	24.40	19.86

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Motorola	7,005,500	63⅝	-4⅝
Mercury Fin	6,039,600	2⅝	+⅛
IBM	5,376,700	145	+2¾
Compaq	5,103,600	80¼	+3
Telefonos	4,853,200	38⅝	+⅝
Westinghse	4,399,600	17⅝	+½
WalMart	4,151,200	24½	—
Micron	3,883,800	32¼	-¼
H Packard	3,828,700	50⅝	+1⅝
Time Warner	3,628,800	41⅛	+1¾

■ TRADING ACTIVITY

● Volume (million)

	Feb 11	Feb 10	Feb 7
New York SE	480.590	467.564	538.608
Amex	25.832	21.418	26.706
NASDAQ	668.663	642.948	655.997
NYSE			
Issues Traded	3,324	3,329	3,346
Rises	1,306	1,165	1,646
Falls	1,194	1,324	933
Unchanged	824	840	767
New Highs	142	162	170
New Lows	40	34	43

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Mar	794.75	793.80	-1.05	795.85	793.80	72,742	178,294
Jun	-	802.35	-	-	790.50	857	11.116

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Mar	18290.0	18390.0	+190.0	18530.0	18290.0	28,043	219,896
Jun	18230.0	18400.0	+200.0	18500.0	18230.0	1,862	47,104

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, February 12, 1997

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi	12.0m	1090		NKK Corp	6.7m	240	+4
Nippon Steel Cp	10.3m	301	+13	Fujitsu	6.6m	1230	+30
Toyota Motor	9.9m	3360	+110	NEC Corp	6.2m	1430	+40
Ga-Jo-En Kenko	7.6m	6		Mitsubishi Hvy	6.0m	884	+28
Canon	7.5m	2630	+60	Shiseido	5.9m	1440	+20

* Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $

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4 pm close February 12

NEW YORK STOCK EXCHANGE PRICES

1996/97 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
32	24⅞	AAR x	0.48	1.8	22	803	26⅝	26½	26½	
46⅛	33	AMP x	1.04	2.6	30	4695	39⅝	38⅞	39⅜	+⅞
87½	59	AMR			8	8448	83⅜	79¾	82⅞	+3⅛
50½	33¾	ASA	1.20	3.4	23	1849	35⅝	33¾	35¼	+1¼
57⅞	38⅛	AbbtL x	0.96	1.7	23	10241	57⅛	56⅛	57	+1
17⅞	12¼	Abitibi Pr	0.40	2.5	8	302	16⅜	16	16⅜	
20¼	13½	ABM Ind	0.40	2.1	17	94	18⅞	18¼	18¾	+⅛
22½	13⅞	Acptocain			18	78	20½	20	20½	+½
61¼	37¾	ACE Ltd	0.72	1.2	18	462	59⅞	59½	59½	-¼
10½	6⅞	ACM Gvt In z	0.90	8.8	11	562	10⅝	10¼	10¼	
7⅞	6⅞	ACM GvOpp x	0.96	8.4		129	7⅝	7½	7½	
9⅞	8⅞	ACM Man x	0.90	9.5		339	9⅝	9½	9½	
13⅞	6⅞	Acme Elect				178	7¼	7	7⅜	
21⅝	13⅞	Acme Mills			72	3	16¼	16⅝	16⅝	
33¾	27¼	Acordia	0.96	2.7	14	154	29½	29⅛	29½	
29⅞	12	Acuson				1646	26¾	26⅛	26⅝	+⅞
21⅛	17⅞	Adams Expr	0.55	2.7	1	198	20⅝	20½	20⅝	+½
36⅛	19¼	AdvMic				26290	34½	31¾	34¼	+2¼
13⅞	9½	Advest Grp			9	108	13⅝	13½	13⅝	+¼
26⅛	8⅞	Advo Inc			39	352	13½	13⅛	13⅛	-¼
28⅛	41¾	Aegon	1.16	1.8	16	131	62¾	62¾	62¾	+¼
6¼	3½	Aerflx				115	4⅝	4⅜	4½	

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FINANCIAL TIMES

Continued on next page

4 pm close February 12

NYSE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close February 12

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. s-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
Activcard	US$8.125		0	8.5	0	Mercer Internl	US$10.75	-0.125	0	11.375	10.875
Artwork Systems	US$11		53690	11.25	9.375	Pedech	US$5.375	+0.125	10300	0.75	4.75
Dr Solomon's ADS	US$28		600	28.125	16.625	Easdaq Nomura Index	1176.18	+1.81	4277954		
Innogenetics	US$11.125	+0.125	35640	12.875	10.125						

Prices for 12/2/97. EASDAQ has entered into an arrangement with Nomura International for the construction of the EASDAQ-Nomura Index which is published daily alongside the price information shown above.

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High tech rebound sends Dow ahead

AMERICAS

A rebound in the technology sector, inspired by better than expected earnings from the semiconductor equipment maker Applied Materials, helped US shares post gains at midsession, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was 60.42 stronger at 6,918.53, on course to set a new record, and the Standard & Poor's 500 rose 8.23 at 797.82. NYSE volume was 323m shares.

The Nasdaq composite climbed 15.30 to 1,346.81 to recover some of the losses posted in recent sessions. The Pacific Stock Exchange technology index added 2 per cent.

Applied Technologies was the most actively traded share on the Nasdaq in volume of 13.5m shares by early afternoon. The shares jumped $6, or 13 per cent, to $51¼ after it said late on Tuesday that first-quarter earnings were 48 cents a share, 4 cents better than analysts had forecast.

The earnings report helped other semiconductor sector companies. Intel, the largest semiconductor manufacturer in the world, rose 1\frac{5}{16}$ at 153\frac{1}{16}$. Novellus Systems climbed $6¼, or 8 per cent, to $80¼, Texas Instruments added $3 at $79¾, and LSI Logic gained $1⅝ at $33¾.

Some of the computer networking companies, which had fallen sharply in recent sessions, also posted gains. Cisco Systems added 2\frac{1}{16}$ at $62¾, 3Com gained $1¼ at $38¾ and Cascade Communications was $1¼ at $35.

ITT, the hotel and casino company, rose $1¾, or 3 per cent, to $57⅞ on news that it had rejected a takeover bid from Hilton. Shares in Hilton lost $¾ at $27⅝.

The Money Store, a consumer lender, jumped $3⅞, or 18 per cent, to $25 after it reported fourth-quarter earnings of 48 cents a diluted share, 7 cents stronger than forecasts.

Columbia/HCA Healthcare, the largest hospital company in the US, gained $1⅝, or 4 per cent, at $42¾ after reporting earnings of 61 cents per share, exactly in line with expectations.

TORONTO turned to strength in conglomerates and banks to take the TSE-300 composite index 23.48 higher by midsession at 6,150.40 in hefty volume of 57.7m shares.

Investors also continued to flood the market with funds as they put money away in tax sheltered funds ahead of a March 1 deadline for fiscal 1996.

SAO PAULO jumped 3.9 per cent by midsession as investors caught up with developments in neighbouring markets on Monday and Tuesday when the local market was closed for a holiday. The Bovespa index jumped 3,248 to 86,413.

MEXICO CITY extended opening gains at midsession with the IPC index breaking the 3,800-point barrier for the first time ever in heavy trade. The index was 59.73 higher at 3,809.76 on larger than expected falls in primary rates and the strong showing by Wall Street.

Zurich hits tenth consecutive high

EUROPE

The strength of the dollar and Wall Street's unexpectedly firm start helped to take **ZURICH** to a tenth consecutive record high.

In addition, Nestlé jumped SFr31 to SFr1,815, encouraged by Tuesday's results from Unilever, which came at the top end of expectations. Nestlé has risen 12.4 per cent since the start of the year, tracking the market, on recurrent speculation that the arrival of a new chief executive this year might herald a disposal of non-food businesses. Nestlé holds stakes in L'Oreal, the French personal care products group, and Alcon, a US eyecare products producer.

However, Mr Frederick Hassianer at Bank Sal Oppenheim in Zurich was doubtful. He noted that Nestlé had always reiterated its commitment to the non-core businesses which, over the last five years, had provided just under half the growth in its earnings, expressed in non-franc currencies. He believed that Nestlé might consider the disposal of Alcon, but only if this enabled the company to take control of L'Oreal.

Financials featured a SFr32 rise in UBS to SFr1,275 and a SFr9 advance to SFr428 in Zurich Insurance. Both groups had seen recent brokers' recommendations. The SMI index finished 35.7 higher at 4,444.1.

AMSTERDAM went emphatically into new high ground, the AEX index rising 8.86 to 705.58, with Royal Dutch and Philips both stronger ahead of results today.

Royal Dutch rose Fl 5.80 to Fl 335.80, as traders talked about the dollar and a bottoming out of oil prices.

Philips, the day's most actively traded stock, rose Fl 4.50, or 6.1 per cent, to Fl 78.10. It was slightly outperformed by its music production and publishing subsidiary PolyGram, Fl 5.20, or 6.2 per cent, higher at Fl 88.50. There were rumours of restructuring moves encompassing both parent and subsidiary. Meanwhile, PolyGram itself looked for short-term restructuring gains after a 2.6 per cent fall in net income for 1996.

FRANKFURT hit an intraday high of 3,239.29 and receded, but it maintained its breach of the 3,200 level with an Ibis-indicated close 19.56 better at 3,211.01, an all-time closing high.

Turnover got back to preholiday standards, up from DM10.1bn to DM14.6bn. Price leaders were much as before with the dollar-sensitive carmakers BMW and Porsche up another 3.7 and 3 per cent respectively. They were joined by Volkswagen, which put on DM14.70, or 1.8 per cent, at DM811.70.

PARIS ended a teasing fraction short of the 2,600 level, but the CAC 40 index still registered another all-time high, up 17.24 at 2,599.33 in turnover of FFr9bn. The financial sector stayed active, BNP climbing FFr8, or 3.5 per cent, to FFr237.50 on hopes of strong 1996 profits.

Still in financials, Cie Bancaire rose FFr20, or 2.9 per cent, to FFr720 and its Cetelem consumer credit subsidiary by FFr9, or 1.3 per cent, to FFr700, helped by rumours that Bancaire could make a buyout offer for Cetelem on a one-for-one share exchange basis. Last December, Bancaire sold 6 per cent of Cetelem, reducing its stake from 72 to 66 per cent.

MILAN was pushed lower by profit-taking in the recently strong banks and the Comit index finished 1.65 weaker at 787.77.

Parmalat lost L195 at L2,495 on rumours of lower than expected 1996 results and speculation that the food group might launch of a convertible bond issue to purchase the Canadian company Beatrix. Parmalat dismissed the conjecture as unfounded.

Ambroveneto tumbled L187 to L4,480 after stories that it could merge with Cariplo prompted concerns that a capital-raising operation could be in the air.

MADRID traders said that the market was effectively on hold ahead of today's January CPI data, but the general index added 1.77 at 475.01. Some stocks were helped by an "outperform" recommendation by Salomon Brothers, Santander adding Pta60 at Pta9,060 and Acerinox up Pta190 at Pta18,750.

Nordic bourses were full of incident. **STOCKHOLM** heard Ericsson say that it planned drastic cost cuts, and Trelleborg that it would list its Boliden unit in Toronto, probably this June, and sell about 50 per cent of the stock. The telecoms giant eased SKr1.50 to SKr246.50, but the mining and rubber group closed SKr2 higher at SKr119.50 as the Affärsvärlden General index rose 5.2 to 2,649.7.

Among smaller stocks, Pricer soared SKr41, or 13.2 per cent, to SKr351 on talk of an expected explosion in demand for electronic pricing systems.

COPENHAGEN, too, had a big winner in NKT, which won a contract worth up to DKr2bn to lay undersea power lines between Norway and the Netherlands. The cablemaker rose DKr37, or 10.5 per cent, to DKr390 as the KFX index closed 1.39 higher at 152.86.

OSLO saw strong gains in banks as the total index rose 4.25 to 1,075.49. Traders attributed strong buying interest in the sector to better than expected earnings from DnB, Norway's biggest commercial bank, which closed NKr1.10, or 4 per cent, higher at NKr28.80, pulling its rival Christiania Bank up by NKr1.20 to NKr24.60. In industrials, the shipbuilding, engineering and construction group, Kvaerner, climbed NKr9.50 to NKr341.

VIENNA hit a three-year high, the ATX index closing 8.26 better at 1,208.49. The microchip maker AMS led with a gain of Sch53, or 4.9 per cent, at Sch1,143 and Mayr-Melnhof, the cartonboard maker, put on Sch10.60 at Sch613.10 after a 63 per cent rise in 1996 profits.

Written and edited by William Cochrane and Michael Morgan

FTSE Actuaries Share Indices

THE EUROPEAN SERIES

Feb 12 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2146.07	2148.86	2147.02	2145.60	2146.00	2144.10	2143.57	2143.59
FTSE Eurotrack 200	2178.33	2175.08	2171.94	2173.31	2171.26	2171.18	2173.09	2174.50

	Feb 11	Feb 10	Feb 7	Feb 6	Feb 5
FTSE Eurotrack 100	2133.29	2123.68	2109.55	2088.60	2081.22
FTSE Eurotrack 200	2164.68	2156.79	2146.50	2121.63	2120.24

Base value 1000 (26/10/90). High/day: 100 - 2148.24, 200 - 2187.92 Low/day: 100 - 2142.80 200 - 2164.87. † Partial.

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S Africa golds depressed by bullion

Johannesburg's gold shares edged lower, depressed by a soft bullion price, while industrials, easier in sympathy, also ran into some profit-taking after their strong performance over the last two weeks.

The overall index declined 8.3 to 8,988.7, industrials lost 30.3 to 8,262.8 and golds shed 8.3 to 1,350.0.

In financials, RMB jumped R5 to R85.50 on prospects of sharply higher earnings at its Momentum subsidiary. Momentum added R1 to R49.

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms: February 7 1996	% Change over week	% Change on Dec '96	Local currency terms: February 7 1996	% Change over week	% Change on Dec '96
Latin America	(250)	604.24	+3.0	+12.3			
Argentina	(31)	1,023.14	-0.0	+7.6	627,460.75	-0.0	+7.6
Brazil	(88)	463.80	+5.4	+17.0	1,817.49	+5.6	+18.0
Chile	(45)	710.17	+4.5	+14.5	1,167.73	+3.8	+12.6
Colombia[1]	(14)	726.61	+8.2	+14.8	1,374.28	+6.6	+21.8
Mexico	(64)	578.00	+0.8	+9.1	1,944.19	+0.4	+8.2
Peru[2]	(19)	213.50	+0.7	+8.5	344.13	+0.5	+10.2
Venezuela[3]	(9)	708.69	+0.1	-2.7	7,734.72	+0.1	-3.0
Asia	(711)	262.91	+0.7	+4.0			
China[4]	(27)	73.59	+0.7	-0.2	77.02	+0.7	-0.3
South Korea[5]	(156)	81.53	+2.1	+5.5	82.83	+2.4	+8.1
Philippines	(42)	308.93	-1.1	+5.2	393.16	-1.1	+5.4
Taiwan, China[6]	(90)	160.63	+0.5	+4.8	165.89	+0.8	+4.8
India[7]	(79)	85.56	+0.5	+8.8	108.94	+0.5	+8.7
Indonesia[8]	(49)	137.01	-0.3	+7.3	176.95	-0.2	+8.0
Malaysia	(148)	349.70	+1.6	+3.9	321.91	+1.9	+2.6
Pakistan[9]	(28)	255.57	+9.5	+30.8	486.87	+9.5	+30.8
Sri Lanka[10]	(5)	97.25	+0.2	+2.3	122.65	+0.4	+4.2
Thailand	(87)	194.68	-6.5	-12.1	201.18	-6.2	-10.7
Euro/Mid East	(305)	156.07	+4.1	+16.2			
Czech Rep	(7)	77.89	+9.6	+11.0	72.28	+10.3	+13.8
Egypt	(16)	105.70	-	-	105.86	-	-
Greece	(54)	288.23	-0.5	+18.9	512.04	+1.3	+26.4
Hungary[11]	(12)	254.32	+3.0	+29.3	527.69	+4.7	+37.9
Jordan	(7)	190.68	+2.1	+2.1	284.89	+2.1	+2.1
Morocco	(5)	99.78	-	-	101.31	-	-
Poland[12]	(30)	848.87	+8.2	+15.9	1,611.95	+8.7	+22.3
Portugal	(28)	163.98	+3.4	+12.2	189.20	+5.7	+21.3
Russia	(15)	105.13	-	-	105.57	-	-
Slovakia	(5)	103.47	-	-	102.87	-	-
South Africa[13]	(63)	229.89	+7.2	+10.2	210.63	+4.2	+4.5
Turkey[14]	(58)	221.43	-5.3	+48.8	12,382.08	-2.9	+62.4
Zimbabwe[15]	(5)	536.99	-2.4	+13.4	868.13	-2.3	+15.0
Composite	(1266)	322.29	+2.2	+9.2			

Indices are calculated at end-week: weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1989; (15)Aug 2 1993; (16) July 2 1993.

Slovenian shares traded in Ljubljana were in free-fall yesterday, tumbling 11.5 per cent and taking their two-day losses to 20 per cent after the central bank announced tighter controls on foreign investment.

The bank said on Tuesday that foreign investors needed special trading accounts with fully licensed banks if they wanted to invest in domestic companies. Analysts said the long-term impact of the move remained unclear and that this had triggered the rash of selling.

However, traders pointed out that turnover tumbled yesterday to just T74.3m from T545.7m on Tuesday. Foreign demand had been credited with the Slovenian bourse's spectacular bull run this year, which drove the SBI index to an all-time high on Monday – up 40 per cent since January 1. The index ended 179.46 lower yesterday at 1,380.66.

● The Moscow equity market came back to life this week after a fortnight's slumber. The blue chip RTS-24 index rose 3.8 per cent on Monday and 2.5 per cent on Tuesday, extending its rise since the start of the year to more than 50 per cent. The index peaked yesterday at a record 312.66 before pulling back to close 5.81 lower at 306.79. Analysts attributed the breathtaking ascent since the start of the year to strong demand in a tight market from domestic and foreign investors. The domestic buyers included commercial banks switching from the treasury bill market where many yields, adjusted for inflation, had fallen to under 30 per cent from 200 per cent early last year. Further stimulus had come from the IMF's decision to release $650m in delayed funds to Russia last Friday and from Moscow's inclusion in the International Finance Corporation's index this week.

Exporters lead as Tokyo extends rally

ASIA PACIFIC

Blue chip exporters led **TOKYO** higher for a second consecutive session as the dollar resumed its climb above Y124 in spite of last weekend's attempt to cap it by the G7 finance ministers, *writes Jonathan Annells.*

The Nikkei 225 average rose 228.79 to 18,409.96, trading between its opening low of 18,240.17 and a high of 18,520.76. Sentiment was improved by Wall Street's rebound on Tuesday and a higher close for Nikkei futures in Chicago. But most activity came in the morning, and was related to the exchange rate as volume increased from 340m shares to an estimated 457m.

Mr Paul Migliorato, a senior institutional salesman at Jardine Fleming Securities, said it was clear that the beneficiaries of the weaker yen were limited in number and that investors were targeting those companies almost exclusively.

In the broad market, declines exceeded advances by 552 to 523 with 160 unchanged. The Topix index of all first-section stocks added 13.54 to 1,368.43 and the capital-weighted Nikkei 300 by 3.38 to 262.24.

In London, the ISE/Nikkei 50 index rose 6.02 to close at 1413.50.

Matsushita Electric Industrial was the volume leader, advancing Y50 to Y1,910, but Sony, the second most active stock, led on appreciation with a gain of Y350 to Y8,900. Toyota and Honda reached all-time highs of Y3,370 and Y3,550 before finishing Y110 higher at Y3,360, and Y130 up at Y3,510 respectively. TDK gained Y130 to Y8,010.

Canon, the office equipment manufacturer, ended Y60 higher at Y2,360 on buying ahead of its results. After hours, the company revealed a 56 per cent increase in 1996 pre-tax profits. Its rival, Ricoh, closed Y50 higher at Y1,430 while Nikon, the camera and precision equipment maker, gained Y110 to Y1,680.

Pharmaceuticals again performed strongly, with Yamanouchi Pharmaceutical rising Y80 to Y2,360. Banks were mixed. Bank of Tokyo Mitsubishi, Fuji Bank and Sumitomo Bank ended firmer, but Industrial Bank of Japan and Dai-Ichi Kangyo retreated.

In Osaka, the OSE average climbed 175.08 to 19,151.85 in volume of 122.6m shares.

Apart from Tokyo, the region saw four more gains of around a percentage point.

In **SYDNEY**, a 1.8 per cent lift in banks underpinned a rise of 25.40 in the All Ordinaries index to an all-time high of 2,473.50.

Commonwealth Bank of Australia was the catalyst, with an 11 per cent rise in first-half profits taking the shares up 50 cents to A$13.91. In the same sector, NAB rose 21 cents to A$16.07, Westpac 17 cents to A$7.80 and ANZ 8 cents to A$8.30.

KUALA LUMPUR came back in a buying mood, snapping up selected blue chips and second and third-liners after a four-day closure.

The KLSE composite index rose 12.47 to 1,254.42 after an intra-day high of 1,260.10. Institutional buying of carmakers, and a retail focus on "penny stocks" valued at under M$5, accounted for most of the day's business, and volume was hefty at over 448m shares.

SINGAPORE reported frenzied buying of Malaysian stocks traded over the counter (OTC) and hectic turnover of 530m shares, one of the highest levels in recent years, with Malaysian shares content accounting for about 60 per cent.

However, funds also bought Singapore banking stocks and selected blue chips. The Straits Times Industrial index climbed 27.59 to 2,224.64 while the UOB OTC index closed at 1,322.50, up 19.81.

JAKARTA saw strong overseas buying of selected blue chips as the JKSE composite index rose 6.78 to 701.06.

Indosat rose Rp225 to Rp6,975 in 3.1m shares on better than expected 1996 results. Bank Negara Indonesia topped the active list with 16.5m shares traded, rising Rp50 to Rp1,700.

RUSSIAN 3 & 6 MONTH TREASURY BILLS (GKO)

Invested amount equivalent to

US$ 3,336,844,000

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FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	Tue Feb 11 1997: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	Mon Feb 10 1997: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index: 52 week High	52 week Low	Year ago (approx)
Australia (76)	214.82	0.8	193.93	167.12	186.74	167.89	0.2	4.07	213.20	193.51	165.53	183.60	187.33	224.81	188.44	197.08
Austria (24)	182.89	-1.0	165.10	142.28	158.99	158.90	-0.1	1.93	184.79	167.72	143.47	159.14	159.06	195.04	174.70	186.57
Belgium (26)	229.30	-1.3	207.00	178.38	199.33	195.09	-0.3	3.31	232.24	210.79	180.32	200.01	195.76	233.47	203.54	212.09
Brazil (28)	224.14	0.0	202.34	174.36	194.84	432.04	0.0	1.41	224.14	203.43	174.02	193.02	432.04	224.14	147.48	166.73
Canada (114)	199.62	0.8	180.21	155.29	173.53	195.73	0.2	1.88	198.39	180.07	154.03	170.85	194.12	201.62	153.61	157.84
Denmark (32)	362.65	-1.6	327.38	282.12	315.26	314.30	-0.8	1.39	369.13	335.04	286.60	317.89	318.93	369.13	291.30	302.22
Finland (28)	262.34	-0.2	236.83	204.09	228.05	271.56	0.3	1.83	262.79	238.52	204.04	226.32	270.71	262.79	174.47	182.38
France (92)	219.25	-1.3	187.93	170.56	190.89	194.06	-0.4	2.52	222.08	201.57	172.43	191.26	194.75	222.08	183.15	183.15
Germany (59)	193.35	-0.8	174.54	150.41	168.08	168.08	0.1	1.48	194.91	176.91	151.34	167.86	187.86	194.91	164.47	168.77
Hong Kong (59)	494.91	-1.2	446.78	385.01	430.23	492.11	-1.2	3.16	500.98	454.71	388.87	431.44	498.24	514.48	402.53	440.26
Indonesia (27)	247.21	0.1	223.16	182.31	214.90	360.42	0.0	1.48	246.96	224.15	181.74	212.68	360.42	-	-	-
Ireland (16)	339.82	0.0	308.77	264.36	295.40	299.50	0.2	3.06	339.84	308.45	263.86	292.67	298.80	339.84	254.35	255.85
Italy (58)	83.90	-1.5	84.67	72.97	81.54	114.87	-0.8	1.83	95.22	88.42	73.93	82.00	115.79	98.32	70.81	80.20
Japan (480)	111.82	-0.2	100.94	86.99	97.20	86.99	0.0	0.90	112.04	101.69	86.99	96.49	86.99	184.86	109.18	152.73
Malaysia (107)	634.76	-0.1	573.02	493.80	551.80	608.31	0.0	1.02	635.22	576.55	493.20	547.04	608.31	635.22	511.96	514.16
Mexico (27)	1368.06	1.7	1235.01	1064.27	1189.26	11652.01	1.6	0.95	1344.64	1220.44	1044.01	1157.99	11466.50	1368.06	1045.55	1159.26
Netherland (19)	334.18	-0.4	301.86	259.97	290.50	286.24	0.5	2.58	335.42	304.44	260.43	288.86	284.78	338.15	274.35	275.52
New Zealand (14)	87.55	-0.8	79.04	68.11	76.11	67.59	-1.2	4.13	88.09	79.95	68.40	75.86	68.39	95.60	75.94	79.41
Norway (41)	307.94	-2.0	278.00	239.56	267.70	276.89	-1.0	1.85	314.24	285.22	243.99	270.82	279.79	319.57	230.82	230.82
Philippines (22)	209.51	-0.7	189.13	162.98	182.13	275.07	-0.7	0.62	210.94	191.48	163.78	181.68	277.00	-	-	-
Singapore (43)	432.94	0.3	390.84	336.80	376.36	282.31	0.7	0.98	431.78	391.90	335.24	371.84	280.26	480.90	371.26	449.80
South Africa (44)	357.28	0.0	322.51	277.93	310.57	344.56	0.2	2.37	357.20	324.21	277.34	307.62	343.87	428.32	301.48	428.32
Spain (35)	215.26	-1.4	194.33	187.46	187.13	230.55	-0.5	2.72	218.42	198.25	169.59	188.10	231.91	228.16	151.86	164.81
Sweden (50)	427.54	-0.5	385.96	332.60	371.66	468.64	-0.1	1.81	431.39	391.55	334.94	371.51	469.44	432.49	312.42	314.42
Switzerland (35)	250.77	0.1	226.38	195.08	217.99	222.89	0.5	1.30	250.53	227.39	194.52	215.76	221.80	254.34	222.64	222.64
Thailand (45)	81.51	-0.5	73.58	63.41	70.86	82.02	-0.5	4.17	81.81	74.34	63.59	70.54	82.48	186.40	81.51	168.12
United Kingdom (211)	283.13	0.5	255.59	220.26	246.12	255.59	-0.1	3.72	281.81	255.78	218.80	242.69	255.78	283.17	224.39	229.63
USA (654)	320.95	0.4	289.73	249.86	279.00	320.95	0.4	1.86	319.53	290.02	248.09	275.18	319.53	321.23	254.79	267.24
Americas (823)	293.98	0.5	265.37	228.68	255.54	247.21	0.5	1.85	292.61	265.59	227.19	252.00	246.06	294.09	233.09	243.92
Europe (726)	243.63	-0.4	219.93	189.53	211.79	221.66	-0.1	2.84	244.53	221.94	189.86	210.59	221.79	244.53	201.68	201.95
Nordic (151)	372.50	-1.0	336.27	289.79	323.82	352.52	-0.3	1.81	376.43	341.66	292.27	324.18	353.48	376.43	276.30	278.27
Pacific Basin (873)	133.54	-0.2	120.55	103.89	116.09	102.87	-0.1	1.40	133.84	121.48	103.91	115.26	103.06	177.01	131.50	165.82
Euro-Pacific (1599)	179.42	-0.3	161.97	139.57	155.97	147.80	-0.1	2.11	179.97	163.34	139.73	154.98	147.92	191.51	176.40	180.77
North America (768)	313.64	0.5	283.14	244.00	272.65	312.70	0.5	1.86	312.23	283.39	242.42	268.89	311.26	313.91	248.65	260.48
Europe Ex. UK (515)	217.26	-0.8	196.13	169.02	188.87	198.65	-0.1	2.02	219.12	198.88	170.13	188.70	198.95	219.12	181.80	182.36
Pacific Ex. Japan (393)	313.41	-0.3	282.92	243.81	272.44	273.31	-0.4	2.71	314.32	285.29	244.05	270.89	274.42	320.65	268.87	267.20
World Ex. US (1812)	193.25	-0.2	165.42	142.55	159.30	153.90	0.0	2.06	183.88	166.72	142.61	158.18	153.93	193.47	177.71	182.89
World Ex. UK (2255)	221.84	0.0	200.26	172.58	192.84	198.53	0.2	1.78	221.75	201.27	172.17	190.97	196.08	224.88	199.58	205.78
World Ex. Japan (1986)	285.76	0.1	257.96	222.30	248.41	274.28	0.2	2.17	285.38	259.02	221.57	245.78	273.64	285.75	233.10	239.89
The World Index (2466)	227.05	0.1	204.97	176.63	197.38	201.91	0.2	1.98	226.87	205.91	176.14	195.37	201.51	228.97	202.32	208.83

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Latest prices were unavailable for this edition. Markets closed 11/2/97: Indonesia, Japan and Malaysia.